Consolidated Statements of Financial Position as of December 31, 2011

COLBUN S.A. and Subsidiaries

(In thousands of US dollars – ThUS$)

This document consists of:

- **Statements of Consolidated Financial Position**
- **Consolidated Statements of Comprehensive Results**
- **Statements of Consolidated Cash Flows**
- **Statement of Changes in Equity**
- **Notes to the Consolidated Financial Statements**

Colbún S.A. and Subsidiaries
Consolidated statements of financial position
As of December 31, 2011, December 31, 2010
(In thousands of US dollars - ThUS$)

ASSETS	Notes N°	As of December 31, 2011 ThUS$	As of December 31, 2010 ThUS$
Current assets			
Cash and cash equivalents	7	295,826	554,522
Other current financial assets	8	4,528	15,778
Other non-financial assets, current	20	11,127	13,223
Trade and other receivables, current	9	214,052	308,385
Accounts receivable from related companies, current	11	16,750	4,885
Inventories	12	46,265	13,661
Current, tax assets	19	182,672	178,395
Total current assets		**771,220**	**1,088,849**
Non-current assets			
Other financial assets, non-current	8	11,341	33,833
Other non-financial assets, non-current	20	22,964	20,924
Rights receivable, non-current	15	-	2,814
Accounts receivable from related companies, non-current	11	10,398	3,809
Investment in associates accounted under equity method	16	139,837	130,489
Intangible assets other than goodwill	17	59,322	39,618
Property, plant and equipment	18	4,594,721	4,431,568
Deferred taxes	21	9,698	11,978
Total non-current assets		**4,848,281**	**4,675,033**
TOTAL ASSETS		**5,619,501**	**5,763,882**

The accompanying notes are an integral part of these consolidated financial statements

Colbún S.A. and Subsidiaries
Consolidated statements of financial position
As of December 31, 2011, December 31, 2010
(In thousands of US dollars - ThUS$)

LIABILITIES AND NET EQUITY	Notes N°	As of December 31, 2011 ThUS$	As of December 31, 2010 ThUS$
Current liabilities			
Other financial liabilities, current	22	153,007	96,306
Trade and other payables, current	23	126,507	145,260
Accounts payable to related companies, current	11	32,121	32,103
Other short-term provisions, current	24	2,838	4,606
Tax liabilities, current	21	10,350	41,624
Provisions for employee benefits, current	24	9,938	8,164
Other non-financial liabilities, current	25	4,187	22,930
Total current liabilities		**338,948**	**350,993**
Non-current liabilities			
Other financial liabilities, non-current	22	1,340,609	1,472,556
Other Non-current liabilities	26	3,000	3,000
Deferred taxes	21	451,458	438,297
Provisions for employee benefits, non-current	24	14,815	14,128
Other non-financial liabilities, non-current	25	8,429	8,575
Total non-current liabilities		**1,818,311**	**1,936,556**
Total liabilities		**2,157,259**	**2,287,549**
Share issued capital	27	1,282,793	1,282,793
Gain accumulated	27	1,404,182	1,398,981
Share premiums	27	52,595	52,595
Other reserves	27	722,626	741,906
Equity attributable to shareholders of the parent company		3,462,196	3,476,275
Minority interests		46	58
Total net equity		**3,462,242**	**3,476,333**
TOTAL LIABILITIES AND NET EQUITY		**5,619,501**	**5,763,882**

The accompanying notes are an integral part of these consolidated financial statements

Colbún S.A. and Subsidiaries
Consolidated statements of comprehensive income by nature
As of December 31, 2011 and 2010
(In thousands of US dollars - ThUS$)

Statement of Income of comprehensive by nature	Notes Nº	January - December 2011 ThUS$	January - December 2010 ThUS$
Ordinary income	28	1.332.776	1.024.243
Raw materials and consumables used	29	(1.061.381)	(633.455)
Personnel expenses	30	(45.732)	(37.626)
Depreciation and amortization expenses	31	(124.643)	(124.039)
Other expense, by nature	-	(20.951)	(22.121)
Other income (losses)	34	(28.915)	(70.779)
Financial income	32	8.893	12.912
Financial cost	32	(27.718)	(49.135)
Equity in earnings (losses) of associates and joint ventures accounted for using the equity method	16 - 33	4.272	509
Exchange rate differences	32	(14.228)	17.694
Income for adjustment units	32	6.832	3.960
Profit before tax		**29.205**	**122.163**
Income tax expense	21	(24.002)	(6.270)
Profit after tax from continuing operations		**5.203**	**115.893**
PROFIT (LOSSES)		**5.203**	**115.893**
Gain (loss) attributable to			
Gain (loss) attributable to owners of parent		5.201	112.284
Gain (loss) attributable to non controlling interests		2	3.609
PROFIT (LOSSES)		**5.203**	**115.893**
Earnings per Share			
Earnings per common share			
Earnings (losses) per common share in continued operations	27	0,00030	0,00640
Basic earnings per share		**0,00030**	**0,00640**

Statement of other comprehensive income	Notes Nº	January - December 2011 ThUS$	January - December 2010 ThUS$
Earning (losses)		**5.203**	115893
Components of other integral income before taxes			
Earnings (losses) exchange rate differences before taxes	16	(10.747)	7.607
Earnings (losses) for cash flow hedges before taxes		(8.533)	6.653
Other components from other comprehensive income before taxes		**(19.280)**	**14.260**
Total integral income		**(14.077)**	**130.153**
Integral income attributable to			
Integral income attributable to holders of parent company		(14.079)	126.544
Integral income attributable to non controlling interests		2	3.609
TOTAL INTEGRAL INCOME		**(14.077)**	**130.153**

The accompanying notes are an integral part of these consolidated financial statements

Colbún S.A. and Subsidiaries
Consolidated statements cash flows
As of December 31, 2011 and 2010
(In thousands of US dollars - ThUS$)

Direct Cash Flow Statement	**Notes**	**December 31, 2011** ThUS$	**December 31, 2010** ThUS$
Cash flows from (used in) operating activities			
Types of collections for operating activities			
Collections from sales of goods and rendering of services		1.642.701	1.283.098
Receipts from premiums and benefits, annuities and other benefits from policies written		3.233	24.359
Other receipts for operating activities		22.732	62.142
Types of payments			
Payments to suppliers for supply of goods and services		(1.325.943)	(852.251)
Payments to and on account of employees		(51.210)	(43.794)
Payments for premiums and benefit, annuities and other policy benefits from policies written		(15.974)	(14.382)
Other payments for operating activities		(17.368)	(16.840)
Dividends received	**16**	8.562	6.193
Interest paid		(78.436)	(82.321)
Interest received		13.677	10.867
Income taxes refunded (paid)		(58.571)	(5.754)
Other cash flows		(35.935)	(50.242)
Net cash flows from (used in) operating activities		**107.468**	**321.075**
Cash flows from (used in) investing activities			
Other payments to acquire equity in joint ventures		(11.906)	(31.292)
Payments to related companies	**11.b**	(9.244)	(14.856)
Purchases of property, plant and equipment		(420.666)	(395.851)
Cash advances and loans to third			(3.583)
Other inflows (outflows) of cash		135.668	31.280
Net cash flows from (used in) investing activities		**(306.148)**	**(414.302)**
Cash flows from (used in) financing activities			
Amounts from short-term loans		103.659	-
Payments of loans		(117.717)	(278.132)
Payments of dividends		(37.617)	(75.362)
Other cash flow	**22.b**	-	487.997
Net cash flows from (used in) financing activities		**(51.675)**	**134.503**
Net increase (decrease) in cash and cash equivalents, before the effect of changes in the exchange rate		**(250.355)**	**41.276**
Effects of changes in foreign exchange rates on cash and cash equivalents			
Effects of changes in foreign exchange rates on cash and cash equivalents		(8.341)	28.498
Net increase (decrease) in cash and cash equivalents		**(258.696)**	**69.774**
Cash and cash equivalents at beginning of year		554.522	484.748
Cash and cash equivalents, ending balance	**7**	**295.826**	**554.522**

The accompanying notes are an integral part of these consolidated financial statements

Colbún S.A. and Subsidiaries
Consolidated statements of changes in net equity
As of December 31, 2011 and 2010
(In thousands of US dollars - ThUS$)

Statement of changes in net equity	Note	Equity atributable to shareholders of the parent Company								Minority interests ThUS$	Total equity ThUS$
				Other reserves							
		Shared issued capital ThUS$	Share premiums ThUS$	Reserves for exchange differences ThUS$	Reserves for cash flow hedges ThUS$	Other sundry reserves ThUS$	Total other reserves ThUS$	Retained earnings (accumulated losses) ThUS$	Equity attributable to shareholders of the parent company ThUS$		
Beginning balance as of January 1, 2011		1,282,793	52,595	(230,797)	(17,530)	990,233	741,906	1,398,981	3,476,275	58	3,476,333
Increase (decrease) for correction of errors											
Restated beginning balance		1,282,793	52,595	(230,797)	(17,530)	990,233	741,906	1,398,981	3,476,275	58	3,476,333
Changes:											
Integral income											
Earning (Losses)								5,201	5,201	2	5,203
Other integral income				(10,747)	(8,533)		(19,280)		(19,280)	-	(19,280)
Dividends								-			-
Increase (decrease) for transfers and other changes		-	-	-	-	-	-	-		(14)	(14)
Total changes in equity		**-**	**-**	**(10,747)**	**(8,533)**	**-**	**(19,280)**	**5,201**	**(14,079)**	**(12)**	**(14,091)**
Ending balance as of December 31, 2011	**27**	**1,282,793**	**52,595**	**(241,544)**	**(26,063)**	**990,233**	**722,626**	**1,404,182**	**3,462,196**	**46**	**3,462,242**

Statement of changes in net equity	Note	Equity atributable to shareholders of the parent Company								Minority interests ThUS$	Total equity ThUS$
				Other reserves							
		Shared issued capital ThUS$	Share premiums ThUS$	Reserves for exchange differences ThUS$	Reserves for cash flow hedges ThUS$	Other sundry reserves ThUS$	Total other reserves ThUS$	Retained earnings (accumulated losses) ThUS$	Equity attributable to shareholders of the parent company ThUS$		
Beginning balance as of January 1, 2010		1,282,793	52,595	(238,404)	(24,183)	1,003,037	740,450	1,350,368	3,426,206	18,643	3,444,849
Increase (decrease) for correction of errors								(26,583)	(26,583)		(26,583)
Restated beginning balance		1,282,793	52,595	(238,404)	(24,183)	1,003,037	740,450	1,323,785	3,399,623	18,643	3,418,266
Changes:											
Integral income											
Earning (Losses)								112,284	112,284	3,609	115,893
Other integral income				7,607	6,653	-	14,260		14,260	-	14,260
Dividends								(37,088)	(37,088)		(37,088)
Increase (decrease) for transfers and other changes		-	-	-	-	(12,804)	(12,804)	-	(12,804)	(22,194)	(34,998)
Total changes in equity		**-**	**-**	**7,607**	**6,653**	**(12,804)**	**1,456**	**75,196**	**76,652**	**(18,585)**	**58,067**
Ending balance as of December 31, 2010	**27**	**1,282,793**	**52,595**	**(230,797)**	**(17,530)**	**990,233**	**741,906**	**1,398,981**	**3,476,275**	**58**	**3,476,333**

The accompanying notes are an integral part of these consolidated financial statements

COLBUN S.A. AND SUBSIDIARIES
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

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1. General information

Colbún S.A. (hereinafter referred to as "the Company" or "Colbún") was formed by public deed dated on April 30, 1986, and registered with the Commerce Register of Real Estate Property of Talca, on May 30, 1986. The taxpayer number of the Company is 96.505.760-9.

The Company was registered as a publicly traded company in the Securities Register under number 0295, as of September 1, 1986. As such, the Company is subject to the regulations of the Superintendence of Securities and Insurance.

Colbún is a power generating company which as of December 31, 2011 has a group (hereinafter, the company of Colbún), composed of ten companies: Colbún S.A. parent and nine subsidiaries and four affiliated companies (see note 3 b).

The commercial address of Colbún is Avenida Apoquindo 4775, 11th floor, district of Las Condes.

The corporate purpose of Colbún is the generation, transport and distribution of electric energy, as described in detail in note 2.

The Company is controlled directly by Minera Valparaíso S.A., and indirectly through its subsidiaries Forestal Cominco S.A. and Inversiones Coillanca Ltda. Control is exercised as it has more than half of the voting shares

2. Description of the business

Purpose of the Company

The corporate purpose of the Company is to generate, transmit, distribute and supply energy and electric power, and for such purposes it is allowed to obtain, acquire and exploit concessions. Likewise, it is entitled to transport, distribute, supply and trade natural gas for its sale to large industrial or electricity generating processes. In addition, it can also provide consulting services in the industry of engineering, both in the country and abroad.

Main assets

The generation facilities are composed of hydraulic power plants (reservoir and passage) and by thermal power plants (combined and open cycles), which in total contribute a maximum power of 2,620 MW to the Central Interconnected System (CIS).

The hydroelectric plants contribute in total with a capacity of 1,273 MW and are distributed in 15 plants: Colbún, Machicura, San Ignacio, Chiburgo and San Clemente, located in the Maule Region; Rucúe and Quilleco, in the Biobío Region; Carena, in the Metropolitan Region; Los Quilos, Blanco, Juncal, Juncalito, Chacabuquito and Hornitos, in the Valparaíso Region; and Canutillar, in the Los Lagos Region. The centrals Colbún, Machicura and Canutillar have their own reservoirs, while the other hydraulic facilities correspond to run of the river centrals.

The thermal plants add in total a capacity of 1,347 MW and are distributed in the Nehuenco site, located in the Valparaiso Region; the Candelabra central, in the O'Higgins Region; the Antilhue central, in the Los Ríos Region; and central Los Pines, located in the Biobío Region.

In addition to the above, there's a new coal thermal power station, Santa Maria I, with a net capacity of 342 MW, located in Coronel district, Biobío Region, which is in its test period.

Commercial policy

The commercial policy attempts to achieve an adequate balance between the commitment level of electricity sale and the generation capacity, in order to increase and stabilize revenues, with an acceptable risk level in case of droughts. Therefore, it is necessary to maintain an adequate mix of thermal and hydraulic generation.

Consequently, the Company does not attempt to sell or purchase significant volumes in the spot market, as their prices suffer large variations, according to the hydrological conditions.

Main clients

The clients' portfolio is composed of regulated clients, as well as closely held corporations:

- The regulated clients tendered at long term Node Price are Chilectra S.A. CGE Distribución S.A. for the Metropolitan Region, CGE Distribución S.A. for O'Higgins, Maule, Biobío and La Araucanía Regions, Saesa S.A., Frontel S.A., Compañía Eléctrica de Osorno S.A., Cooperativa Eléctrica de Curicó LTDA., Compañía Distribuidora de Energía Eléctrica Codiner Ltda., Cooperativa de consumo de energía Eléctrica chillán LTDA., Cooperativa Eléctrica Los Ángeles Ltda., Cooperativa Regional Eléctrica Llanquihue Ltda., Cooperativa Eléctrica Paillaco Ltda., Cooperativa Eléctrica Charrúa Ltda., Energía del Limarí S.A. and Cooperativa Rural Eléctrica Río Bueno Ltda.

- Conafe S.A., which corresponds to a regulated customer with contract with Short Term Node Price.

- The closely held corporations are Codelco for its Divisions Andina and El Teniente; Cartulinas CMPC S.A. for its Maule Plant, CMPC Celulosa S.A., Papeles Cordillera S.A. and CMPC Tissue S.A. for the factory in Puente Alto; Anglo American Sur S.A. (former Compañía Minera Disputada de Las Condes Ltda.) for its worksites of Los Bronces/Las Tórtolas; Chilectra S.A.'s free customers, Metro S.A. y Plant La Farfana de Aguas Andinas S.A., located in the Metropolitan region.

It is important to mention that from September 1, 2011, and as a consequence of the financial insolvency situation of Campanario Generación S.A., the Superintendence of Electricity and fuel (SEC) issued an Exempt Resolution N°2.288 dated August 26, 2011, instructing all the generating companies of the Central Interconnected System (SIC) to supply, at pro rata of its firm energy, the consumption of regulated clients whose supply was awarded to Campanario Generación S.A., under the prices and conditions obtained in the respective bids. Of this local consumption, Colbún S.A. receives a value close to 21%.

The electricity market

The Chilean electricity market has a regulatory framework with an age of almost 3 decades. This has allowed the development of a very dynamic industry with a high participation of private capital. The industry has been able to satisfy the growing energy demand, which has grown 5% on average over the past 10 years in circumstances that GDP grew 3% over the same period.

Chile has 4 interconnected systems and Colbún operates in the largest one, the Central Interconnected System (CIS), which covers the area from Taltal in the North to the Great Island of Chiloe in the South. The consumption of this area represents 75% of the total electricity demand in Chile. Colbún is the second largest electricity generator of the CIS, with a market participation of a 22%.

The pricing system distinguishes different short and long term mechanisms. For the purpose of the short term pricing, the sector is based on a marginal cost scheme that includes safety and efficiency criteria for allocating resources. The marginal costs of the energy result from the actual operation of the electricity system according to the economic programming performed by the CDEC (Centro de Despacho Económico de Carga, or "Center for Economic Dispatch of Charge"), and correspond to the variable production costs of the most expensive unit that is currently in operation. The remunerations of the power is calculated based on the final power of the centrals, this is, the level of the power that the central contributes to the system in the peak hours, considering a dry hydrological scenario and the probable unavailability of the generation units. In the Central Interconnected System (CIS), the final power of the generators is monitored during the May-September period each year and is determined based on the maximum demand of the system during peak hours as established in the procedure of the regulating entity. The price for the power is determined as an economic signal, representative of the investment in those units that are more efficient in absorbing the power demand, in the peak hours of supply of the system.

For purposes of long-term tariff, the generators can have 2 kinds of customers: Regulated and unregulated.

As a result of the introduction of Law No. 20.018 (Short Law II) effective January 1, 2010, in the regulated customers' market, composed of distribution companies, the generators sell energy through a long-term Node Price resulting from public and competitive bidding. It must be mentioned that there still are a number of contracts at a regulated price, called short-term Node Price. The short term Node Price is calculated on a half-year basis by the National Energy Commission (NEC) through a methodology that calculates the average of the marginal costs expected for the following 48 months, based on assumptions of new capacity, growth of demand, costs of fuels, among others.

The unregulated customers are those that have a connected power over 2,000 KW, and who negotiate their prices freely with their suppliers.

The spot market is where the generators trade between each other at marginal cost the surplus or deficit of energy and power (at an hour level) resulting from its net trade position of its production capacity, as the dispatch orders are exogenous to each generator.

Note that changes in regulations will allow the users with connected power between 500 KW and 2,000 KW to choose from an unregulated or regulated price system, with a period of staying at least four years in each regime.

In order to inject its electricity into the system and supply energy and electrical power to its customers, Colbún uses its own transmission facilities and those of third parties, in conformity with the rights granted in the electricity regulations.

In this aspect the legislation establishes, the concepts of Trunk Transmission System, Sub-Transmission and Additional Transmission in the determination of the tariffs.

3. Summary of significant accounting policies

3.1 Accounting principles

The current financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), issued by the International Accounting Standards Board (hereinafter IASB).

The consolidated financial statements of the Company at December 31, 2011 and December 31, 2010 were prepared according to the IFRS. These interim financial statements were approved by the Board of Directors in a meeting held on January 31, 2012.

The consolidated statements of financial position as of December 31, 2010 and the statements of comprehensive income, changes in net equity and of cash flows as of December 31, 2010, included for comparative purposes, have been prepared in conformity with IFRS, on a basis consistent with the policies used by the Company as of December 31, 2011.

The company complies with all applicable legal conditions; it presents normal operating conditions in each area in which it develops its activities; its projections show a profitable operation and it has the ability to access the capital markets in order to finance its operations, which according to management determines its capacity to continue as a going concern, as established in the accounting standards under which these financial statements are issued.

The following is a description of the principal accounting policies used in the preparation of these consolidated financial statements. As required by IAS 1, these policies have been set out in accordance with the IFRS effective as of December 31, 2011, and they have been consistently applied to all periods presented.

a. Basis of preparation and period - The current consolidated financial statements of Colbún S.A. include the Statement of Financial Situation, Statements of Comprehensive Results, Statements of Changes in Equity, and Statements of Cash Flows for the years ended December 31, 2011 and 2010.

These consolidated financial statements have been prepared on the historical cost basis, except, according to IFRS, those assets and liabilities which are recorded at fair value (Note 3.h).

b. Basis of consolidation - The consolidated financial statements incorporate the financial statements of the Company and companies controlled by the Company. Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits of its activities. The detail of the subsidiaries is set forth in the table below:

Consolidated Company	Country	Functional Currency	Taxpayer Number	Ownership percentage at December 31, 2011 Direct	Indirect	Total	30.12.2010 Total
Empresa Eléctrica Industrial S.A.	Chile	US dollar	96854000-9	99.9999	-	99.9999	99.9999
Colbún International Limited	Cayman Islands	US dollar	0-E	99.9999	-	99.9999	99.9999
Sociedad Hidroeléctrica Melocotón Ltda.	Chile	US dollar	86856100-9	99.9000	0.1000	100	100
Río Tranquilo S.A.	Chile	US dollar	76293900-2	-	100	100	100
Hidroeléctrica Guardia Vieja S.A.	Chile	US dollar	86912000-6	99.9999	-	99.9999	99.9999
Hidroeléctrica Aconcagua S.A.	Chile	US dollar	96590600-2	15	85	100	100
Obras y Desarrollo S.A.	Chile	US dollar	96784960-K	-	99.9000	99.9000	99.9000
Termoeléctrica Nehuenco S.A.	Chile	US dollar	76528870-3	99.9999	0.0001	100	100
Termoeléctrica Antilhue S.A.	Chile	US dollar	96009904-K	99.9999	0.0001	100	100

All intercompany balances and significant transactions have been eliminated on consolidation, and recognition of the non-controlling share, which relates to third parties' percentage ownership in the subsidiaries, which has been incorporated separately in the consolidated equity of Colbún.

The subsidiary Hidroeléctrica Guardia Vieja S.A. is the parent of the following subsidiaries: Hidroeléctrica Aconcagua S.A., Obras y Desarrollo S.A. and Río Tranquilo S.A., holding a 85%, 99.9%, and 99.9% of interest ownership, respectively.

b.1 Special Purpose Entities

On May 17, 2010 the Ministry of Justice grants legal existence and approves the statutes of the Colbún Foundation, among the central purposes of the foundation are:

To promote and support all kinds of works and activities aimed at upgrading and improving the living conditions of the most in need groups of the population.

Research, development and diffusion, of the culture and art. The Foundation may participate in the formation, organization, administration and support of all those entities, institutions, associations, groups and organizations, whether public or private entities, that have the same purpose.

The Foundation will support all entities that have as their purpose the dissemination, research, promotion and development of culture and the arts.

The Foundation may finance the acquisition of property, equipment, furniture, laboratories, classrooms, museums and libraries, finance retrofitting of infrastructure to support academic development. In addition, it will finance research, develop and implement training programs, give training to develop and finance the publication and distribution of books, pamphlets and any publication.

As of December 31, 2011 Colbún and subsidiaries gave ThUS$1,643 on account of donations to the Foundation to fulfill its goals, amount that has been included in the consolidated financial statements of the Company.

c. Equity method accounted investments - Companies in which Colbún exercises joint control with another company or in which it has significant influence are recorded using the equity method of accounting. It is presumed to have significant influence where the Company has a 20 per cent or more of the voting power of the investee.

The equity method consists in the recognition of the net equity´s portion representing Colbun´s ownership interest over the adjusted capital of the investee.

If the amount were negative the equity interest is reduced to zero to the extent there is a commitment from Colbún to reinstate the equity of the investee, in which case provision for risk and expenses is recognized.

Dividends received from these investments are recorded as a reduction of the carrying amount of the investments. Colbún's share of profit or loss of the investees is recorded, net of any taxes, in the Statement of Comprehensive Income under the line item "Share of Profit (Loss) from Equity-Accounted Associates and joint ventures that are accounted for using the equity method".

The details of the companies accounted for the equity method of accounting is set forth in the table below:

Consolidated Company	Country	Functional Currency	Taxpayer Number	Ownership percentage	
				31.12.2011 Direct	31.12.2010 Direct
Centrales Hidroeléctricas Aysen S.A.	Chile	Chilean pesos	76.652.400-1	49,0	49,0
Inversiones Electrogas S.A. (1)	Chile	US dollar	96.889.570-2	0	42,50
Electrogas S.A. (1)	Chile	US dollar	96.806.130-5	42,50	0,02
Transmisora Eléctrica de Quillota Ltda.	Chile	Chilean pesos	77.017.930-0	50,0	50,0

(1) At November 16, 2011, the deeds applicable to the merger of Electrogas S.A. and Inversiones Electrogas S.A., by means of the absorption of the latter by the former, were notarized.

d. Effects of the variations in the foreign currency exchange rates - The consolidated financial statements have been prepared in US dollars, which is the functional and formal currency of the Company.

Transactions in currencies, other than the entity's functional currency (foreign currencies), are translated to the functional currency using the exchange rates prevailing at the date of the transactions.

Exchange differences resulting from the settlement of these transactions and from the translation of monetary assets and liabilities in currencies other than the functional currency are recognized in profit or loss, except for certain items recorded in net equity as, for example, the cash flow hedges and the net investment hedges. Likewise, the conversion of accounts payable and receivable at the closing of each fiscal year is performed with the closing exchange rates during consolidation. The observed valuation differences are recognized in the Statement of Comprehensive Income in the line item "Exchange Differences".

e. Foreign currency conversion and indexation - Assets and liabilities denominated in Chilean pesos, Euros and in Unidades de Fomento are translated into US dollars at the closing exchange rates, as per the following detail:

	31.12.2011	31.12.2010
Chilean peso per US Dollar	519,2	468,01
Euros per US Dollar	0,7715	0,7530
Unidades de fomento per US Dollar	0,0233	0,0218

f. Property, plant and equipment - Property, plants and equipment used in the generation of the electricity services or for administrative purposes, is stated at cost less depreciation and impairment losses. This cost value determined as such, includes the following concepts, as allowed under IFRS:

- The financial cost due to financed works in progress is capitalized during the construction period.
- The personnel expenses directly related with the works under execution.
- The works in progress are transferred to property, plant and equipment once the testing period has been completed, of which depreciation will commence.
- The costs related to extension, modernization or improvement representing an increase in the productivity, capacity or efficiency or an increase of the useful life of the assets are capitalized as part of the corresponding assets.
- The substitutions or renewals of elements that increase the useful life of the asset or their economic capacity are recorded as property, plant and equipment, with the subsequent accounting withdrawal of the substituted or renewed elements.
- The periodic expenses related to maintenance, preservation and repair are recognized in profit or loss as incurred.

Company management, based on the result of the impairment test explained in note 5 b), believes that the accounting value of the assets does not exceed their recoverable value.

Property, plants and equipment , net of residual value, are depreciated in conformity with the straight line method, considering the cost of the different elements that compose such fixed assets, utilizing the years of their estimated technical useful lives (note 5 a (i)).

The residual value and the useful life of assets are reviewed and adjusted, if necessary, at every year-end Statement of Financial Position.

g. Intangible assets other than goodwill - Easements and water rights acquired for the construction of power stations, plus software, are stated in conformity with the criterion of historical cost.

The criteria for the recognition and recovery of impairment losses of these assets are explained in Note 5 b.

h. Financial instruments

h.1. Financial assets - The financial assets are classified into the following categories:

a) Financial assets at fair value through profit and loss.
b) Held to maturity.
c) Available for sale.
d) Loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

h.1.1 Effective interest rate method - The effective interest method is a method for calculating the amortized cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset.

All bank and financial obligations of the Company are stated under this method.

Income is recognized on an effective interest basis for the Company assets other than those financial assets classified as at fair value through profit and loss.

h.1.2 Loans and receivables - are recorded at amortized cost, corresponding basically to cash it delivered, less principal repayments made, plus interest receivable in the case of loans, and the present value of the consideration made in the case of accounts receivable. Included in current assets, except for maturities greater than 12 months, from the date of the Balance, that are classified as non - current assets. Loans and receivables are included in trade and other receivables in the Balance.

h.1.3 Investments held to maturity - are those investments in which the Company has positive intention and ability to hold to maturity, and are also carried at amortized cost. Overall investments in short - term instruments such as fixed term deposits are recognized in this category.

h.1.4 Financial assets at fair value through profit and loss ('FVTPL') - Assets at fair value through profit and loss include financial assets either held for trading or that have been designated upon initial recognition as at fair value through profit and loss. Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognized in profit or loss. Short-term investments in mutual funds have been classified in this category.

h.1.5 Available for sale financial assets - Available for sale financial assets are non-derivative financial assets designated as available for sale or not classified in any of the other financial assets categories. These investments are measured at fair value when it is possible to determine on a reliable basis.

h.1.6 Impairment of financial assets - Financial assets, other than those at FVTPL, are assessed for indicators of impairment at each reporting period date. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted.

Colbún commercial counterparts are first class companies in terms of creditworthiness, and distribution companies who, due to their regulations and/or historical behavior, do not have impairment indicators or significant delays in the payment periods, therefore no impairment indicators are observed.

For financial assets carried at amortized cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

Considering that as of December 31, 2011, the total financial investments of the Company are with institutions with the highest possible creditworthiness and because they mature in the short term (less than 90 days), the impairment tests performed indicate no existing observable impairment.

h.2 Financial liabilities

h.2.1 Classification as debt or equity - Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

h.2.2 Equity instruments - An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by Colbún S.A. are recognized as the proceeds received, net of direct issue costs. The Company currently has only issued single series shares.

h.2.3 Financial liabilities - Financial liabilities are classified as either financial liabilities at fair value through profit and loss (FVTPL) or 'other financial liabilities'.

h.2.4 Financial liabilities at FVTPL - Financial liabilities are classified as FVTPL when the financial liability is either held for trading or it is designated as at FVTPL.

h.2.5 Other financial liabilities - Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortized cost using the effective interest method, with interest expense recognized on an effective yield basis.

The effective interest method is a method for calculating the amortized cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, when appropriate, a shorter period.

Bonds payable debt stated at their and bank loans are presented net value, i.e. lowering at its bonds' par value discounts and issuance expenses.

h.2.6 Unsubscribement of financial liabilities - The Company unsubscribes financial liabilities only when the Company's obligations are annulled, cancelled or they expire.

i. Derivative financial instruments - The derivatives acquired by the Company correspond basically to hedging instruments. The effects that may arise from changes in the fair value of this type of instruments are recorded, depending on their value, in hedging assets or liabilities, as long as the hedge of this item has been declared highly effective according to its purpose. The corresponding unrealized gain or loss is recognized in the income for the period in which the contracts are liquidated or no longer meet the characteristics for them to be hedges.

The Company maintains a variety of derivative financial instruments to manage its exposure to interest rate.

Derivatives are initially recognized at fair value at the date a derivative contract is signed and are subsequently revalued to their fair value at the end of each period. The resulting gain or loss is recognized according to the effectiveness of the derivative instrument and its hedge nature.

A hedging instrument is considered highly effective when changes in the reasonable value or in the cash flow attributed to the undercover risk are compensated with changes in the hedges' reasonable value or cash flow, and this effectiveness lies between an 80% and 125%. The Company designates certain derivatives as either hedges of the fair value of recognized assets or liabilities or firm commitments (fair value hedges), hedges of highly probable forecast transactions or hedges of foreign currency risk of firm commitments (cash flow hedges), or hedges of net investments in foreign operations. As to the date, a high number of the derivatives contracted by the Company have a cash flow hedge treatment, "the only exception are" interest rate derivatives that were left without hedged item when prepaying a syndicated credit in February 2010 and whose position has been open and its effect as a result of the mark-to-market valuation is recognized as profit or loss within the Statements of Income. (See i.4).

A derivative is presented as a non-current asset ("hedging assets") or a non-current liability ("hedging liabilities") if the remaining maturity of the instrument is more than 12 months and it is not expected to be realized or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

i.1 Embedded derivatives - The Company evaluates whether there are embedded derivatives in contracts of financial instruments to determine if their characteristics and risks are tightly linked to the main contract, as long as the set of financial instruments is not recorded at fair value. If they are not tightly linked, they are recorded separately including the changes in the value in the consolidated income statement amount.

To date Colbún has considered that there are no embedded derivatives in its contracts.

i.2 Hedge accounting - The Company designates certain hedging instruments, which may include derivatives or embedded derivatives, as fair value hedges, cash flow hedges or net investment in foreign operations hedges.

At the inception of the hedge relationship, Colbún documents the relationship between the hedge instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Company documents whether the hedging instrument is highly effective in offsetting changes in fair values or cash flows of the hedged item. Note 13.1 sets out details of the fair values of the derivatives instruments used for hedging purposes.

i.3 Fair value hedges - Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recognized in profit or loss immediately, together with any changes in the fair value of the hedged item that are attributable to the hedged risk. As of the date of these consolidated financial statements, the Company has no hedging relationships designated as fair value hedges.

i.4 Cash flow hedges - The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is deferred in equity, in a Net Equity reserve called "Cash Flow Hedges". The gain or loss relating to the ineffective portion is recognized immediately in profit or loss and is included in the non-operating income (expense) line of the consolidated statement of comprehensive income. Amounts deferred in equity are recognized in profit or loss in the same period that the hedged item is recognized in profit or loss, and in the same line of the consolidated statement of comprehensive income as the recognized hedged item. However, when the forecast transaction that is hedged results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously accumulated in equity are transferred from equity and included in the initial measurement of the cost of the asset or liability.

Hedge accounting is discontinued when the Company revokes the hedging relationship, the hedging instrument expires or is sold, terminated, or exercised, or no longer qualifies for hedge accounting. Any cumulative gain or loss deferred in equity at that time remains in equity and is recognized when the forecast transaction is ultimately recognized in profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was deferred in equity is recognized immediately in profit or loss.

j. Inventories - Inventories correspond to gas, oil and coal stock, which are valued at the weighted average cost; and warehouse supplies and in transit, which are valued at their cost. These values do not surpass the net value of realization.

k. Cash flows statement - For the purpose of preparing the cash flow statements, the Company and subsidiaries have defined the following considerations:

Cash and cash equivalents include cash on hand and in banks, time deposits and other highly liquid short-term investments with a maturity of three months or less from the date of acquisition. Bank overdrafts are classified as current liabilities section.

Operating activities: they are the main revenue-producing activities of the Company and include other activities that are not investing or financing activities.

Investment activities: they are the acquisition or disposal of long-term assets and other investments not included in cash equivalents.

Financing activities: they are activities that produce changes in the size and composition of the net equity and in the financial liabilities.

l. Income taxes - The Company and its subsidiaries calculate their payable income taxes based on taxable profit for each year determined in accordance with the Income Tax Law regulations.

Differed taxes originated by temporal differences and other events that create differences between the accountable and taxable booking of assets and liabilities, are registered according the rules established in the IAS 12 "Profit tax".

The tax imposed over companies is registered or in the consolidated results account, or in the net equity account of the consolidated situation balance, according to where the profit or loss that generated it, was registered. Differences between the book value and the tax value of the assets and liabilities generate the asset or liability differed tax residues, and they are calculated using the fiscal rates which are expected to be in rule when the assets and liabilities are carried out.

Variations produced in the period of deferred taxes of both assets and liabilities are either registered in the result account of the consolidated Comprehensive Income Statement, or directly in the equity account of the Financial Statement, whichever is applicable.

Deferred tax assets are solely recognized when it is expected to have enough future tax utilities to recover deductions because of temporal differences.

Taxable (non-monetary) assets and liabilities determined in Chilean pesos are converted to the Colbún and subsidiaries functional currency, at the corresponding exchange rate at each year closing. Variations in the exchange rate lead to temporal differences.

m. Severance payments - The obligations recognized as severance payments arise from the collective effort agreements between the Company and its workers. The Company recognizes the personnel's benefit cost according to an acting calculation, as required by IAS 19, "Personnel benefits". This includes variables such as life expectancy, salary increase, etc. and uses an annual discount rate of 5.5%.

The net actuarial liability amounts at the end of the period are presented in the item non-current liabilities provision, of the consolidated Financial Situation Balance.

n. Provisions - The existing obligations up to the balance date that arise from past events that could have equity losses for the Company, whose amounts and maturity rates are undetermined, are stated as provision at current value that most probably could be estimated to be paid for the Company to cancel the obligation.

Provisions are revised periodically and are quantified considering the best available information on the date of each period closing.

o. Revenue recognition - Revenue from the sale of electric energy is valued at the fair value of the amount received or receivable, and represents the amount for the rendered services during the normal course of business, reduced for any discount or related tax.

The following is a description of the Company's major revenue recognition policies, for each type of customer:

- Regulated customers - distribution companies: revenue from the sale of electric energy is recorded based on the physical delivery of energy and capacity, in accordance to long-term contracts at a regulated price stipulated by the National Energy Commission (NEC) or at a tendered price under Law Nº 20,018 of 2005, as appropriate.

- Non-regulated customers - connected capacity of more than 2,000 KW. revenue from the sale of electric energy for these customers is recorded based on the physical delivery of energy and power, capacity at the rates specified in the respective contracts.

- Spot market customers - other generation companies: revenue from the sale of electric energy and power is recorded based on the physical delivery of energy and capacity, to other generating companies, at its marginal cost of energy and power. The spot market is legally organized through the Center for Economic Load Dispatch (CDEC) to which generators belong as coordinated together with the transmission companies, distribution companies and large free customers and it is where the generators trade the surplus or deficit of energy and power capacity. Surplus of energy and capacity are recorded as revenues and deficits are recorded as expenses within the statement of income.

When goods or services are exchanged or swapped for goods or services which are of a similar nature and value, the exchange is not regarded as a transaction which generates revenue.

Additionally any taxes collected from customers and remitted to governmental authorities (i.e. VAT, sales taxes) are accounted for on a net basis and therefore are excluded from revenues in the consolidated statements of income.

o.1 Dividend and interest revenue - Dividend revenue from investments is recognized when the shareholder's right to receive payment has been established.

Interest revenue is accrued on a timely basis, by reference to the principal outstanding and at the effective interest rate applicable, which is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount.

p. Dividends - The Ordinary Meeting of Shareholders agreed that the dividend policy will be the distribution of 30% of distributable net income of the year.

The Company establishes a dividend provision of 30% of distributable net income of the year.

q. Environment - The Company, in its condition as a supplier of electric energy, adheres to the principles of Sustainable Development, which combines the economic development while safekeeping the environment and the health and safety of its collaborators.

The Company recognizes that these principles are key factors for the wellbeing of its collaborators, the care of its environment and to succeed in its operations.

r. Vacations - Vacation expense is recorded in the period when such right is accrued, in conformity with IAS Nº 19.

s. Classification of current and non-current balances - In the accompanying consolidated statement of financial position, assets and liabilities maturing within 12 months are classified as current items and those maturing within more than 12 months as non-current items.

3.2 New accounting pronouncements

a) The following Standards and Interpretations have been adopted in these financial statements to the extent they have been applicable.

IFRS Amendments	Obligatory application date
IAS 24, Related Party Disclosures	Annual periods started on or after January 1, 2011
IAS 32, Classification of Rights Issues	Annual periods started on or after February 1, 2010
Improvements to IFRS May 2010 – collection of amendments to seven International Financial Reporting Standards	Annual periods started on or after January 1, 2011

New Interpretations	Obligatory application date
CIIFRC 19, Extinguishing Financial Liabilities with Equity Instruments	Annual periods started on or after July 1, 2011

Amendments to Interpretations	Obligatory application date
CIIFRS 14, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction	Annual periods started on or after January 1, 2010

The application of these accounting standards had no significant effect on the Company. The rest of the accounting policies applied in 2011 are unchanged from those used in 2010.

b) The following new Standards and Interpretations have been issued, but their application date is not effective yet:

New IFRS	Obligatory application date
IFRS 9, Financial Instruments	Annual periods started on or after January 1, 2015
IFRS 10, Consolidated Financial Statements	Annual periods started on or after January 1, 2013
IFRS 11, Joint Arrangements	Annual periods started on or after January 1, 2013
IFRS 12, Disclosure of Interests in Other Entities	Annual periods started on or after January 1, 2013
IFRS 13, Fair Value Measurement	Annual periods started on or after January 1, 2013
IAS 27, Separated Financial Statement	Annual periods started on or after January 1, 2013
IAS 28, Investments in Associates and Joint Ventures	Annual periods started on or after January 1, 2013

IFRS Amendments	Obligatory application date
IAS 1, Presentation of Financial Statements – Presentation of components of other comprehensive income	Annual periods started on or after July 1, 2012
IAS 12, Deferred Taxes – Underlying Asset Recovery	Annual periods started on or after January 1, 2012
IAS 19, Employee Benefits (2011)	Annual periods started on or after January 1, 2013
IAS 32, Financial Instruments: Disclosure and Presentation of the requirements for netting financial assets and liabilities	Annual periods started on or after January 1, 2014
IFRS 1, (Revised) First-time adoption of IFRS - (i)Elimination of fixed dates for first-time adopters - (ii) Severe hyperinflation	Annual periods started on or after July 1, 2011
IFRS 7, Financial Instruments: Disclosures - Transfer of financial assets.	Annual periods started on or after July 1, 2011

Nuevas Interpretaciones	Fecha de aplicación obligatoria
CINIIF 20, Stripping costs in the Production Phase of a surface mine.	Annual periods started on or after January 1, 2013

The Company is evaluating the impact that IFRS 9 will have at the date of its effective implementation. The Company's and its subsidiaries Management believes that the adoption of the amended Standards and interpretations described above, will not have a significant impact on the consolidated financial statements of the Group in the period of its initial application.

3.3 Responsibility for the information and estimates

The information in these interim financial statements is responsibility of the Company's Board of Directors, who expressly states that all IFRS principles and criteria have been applied.

Preparation of these interim consolidated financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the amounts reported of assets, liabilities, income and expenses during the reported year. These estimates are based on management's best knowledge of the amounts reported, events or actions.

In the preparation of the financial statements the Company has used estimates such as:

- Useful life of property, plant and equipment and intangibles (see notes 3.1.f and 5.a)
- Impairment losses (see note 5.b)
- Assumptions used for the calculation of the fair value of financial instruments (see notes 3.1.h and 5.d)
- Assumptions used in the actuarial calculation of employee liabilities and obligations (see note 3.1.m)
- Probability of occurrence and amount of liabilities of uncertain amount or contingent liabilities (see note 3.1.n)
- The energy supplied to customers that has not been billed at each year-end.

Notwithstanding that these estimates have been made on the basis of the best information available at the issuance date of these consolidated financial statements, it is possible that future circumstances could force their modification (in more or less) in the following periods, which, would be performed prospectively, once their modification is known, recognizing the effects of a change in the estimate in the corresponding future consolidated financial statements in accordance with IAS 8.

4. Administration of financial risk

4.1 Risk administration Policy

The Risk Administrations' strategy is intended to safeguard the Company's stability and sustainability principles, eliminating or mitigating the uncertain variables that affect or could affect it.

Administrating the risks implies the identification, measurement, analysis, mitigate and control of the different risks incurred in by the different managements of the Company, as well as estimating the impact to its consolidated results and continued impact over time. This process involves both the Senior Management of Colbún as well as the risk policy areas.

The limits of bearable risks, the metrics for the risk measurement and the frequency of the risk analysis are policies standardized by the Board of the Company.

The risk management function is performed by a Risk Committee with the support of the Risk Management and Control Management (belonging to Energy Business and Management Division) and together with the rest of the Company's areas.

4.2 Risk factors

The Company's activities are exposed to several risks that have been classified as Risks of the Electricity Business and Financial Risks.

4.2.1 Risks of the Electricity Business

These represent the risks of a strategic nature due to the external and internal factors of the Company, such as the economic cycle, hydrology, competence level, demand patterns, industry structure, in terms of quantity in generation and transmission, changes in the regulation and fuels price levels. Also within this category are the risks of project administration and failures to equipment and maintenance.

Regarding the risks of the Electricity Business, for 2011 the main risks are associated with Hydrology and the fuel prices, which are outlined as follows:

a. Hydrological risk

Approximately 50% of the installed capacity of Colbún corresponds to hydraulic centrals which allow meeting the Company's' commitments at low operating costs. However, in case of dry hydrological conditions, Colbún has to operate its combined cycle or open cycle thermal plants mainly with diesel fuel or purchase energy in the spot market in order to comply with its commitments with direct clients.

This situation increases the Colbún's operating costs, and increases the variability of its results according to the hydrological conditions.

The Company's exposure to the hydrological risk with 95% reliability is reasonably mitigated through some sales agreements that are indexed at spot price. However, in the event of extreme hydrological conditions the variability in results could increase. This situation is under permanent supervision in order to take the required mitigation actions on a timely basis.

In this regard, given the hydrologic conditions that were observed for 2011, in August 2010 an agreement was subscribed for the supply natural gas (from GNL) with Enap Refinerias S.A. to operate a combined cycle unit of the Nehuenco complex at full capacity for the first months of the year 2011. Subsequently, as hydrological conditions in the first half of 2011 were unfavorable, such agreement was extended until August 2011.

In addition, given the hydrological conditions observed for 2012, at December 2011 a natural gas supply agreement was signed with Enap Refinerías S.A. for the operation of a combined cycle unit of Nehuenco complex for the first months of 2012.

b. Risk of fuel prices

As mentioned in the hydrological risk description, in case of low currents to the hydraulic plants, Colbún uses its thermal plants or purchases energy in the spot market at marginal cost.

In these scenarios the production cost of Colbún or its marginal costs are directly affected by the fuel prices, and therefore a risk exists from variations in international fuel prices.

It must be noted that some of this risk has been mitigated by the existence of sales contracts whose prices are also indexed by variations in fuel prices, such as diesel and coal.

In addition to the above and in agreement with the periodic review policy for the Company's risks, towards the middle of the year 2010, foreseeing the need to operate with our thermal plants in 2011, hedging instruments (call options over WTI) were contracted to delimit the cost increments of the Company due to increments in international oil prices.

c. Fuel supply risk

In relation with liquid fuels, the Company keeps contracts with suppliers and owned storage capacity allowing having an appropriate reliability in the availability of this kind of fuel.

Coal purchases for the new thermal power station Santa María will be put out to tender with important international suppliers, and the supply will be awarded to competitive and supported companies. The above, following an early purchase policy in order to avoid any risk of lacking in this fuel.

4.2.2 Financial Risks

These relate to those risks linked to the inability to perform transactions or to the non-compliance of obligations due to the lack of funds, and also due to variations in the interest rates, exchange rates, bankruptcy of the counterparty or other financial market variables that could affect the equity of Colbún.

a. Exchange Rate Risk

The risk of exchange rate is mainly due to the payments in currencies other than the US dollar for the energy generation process, for the investments in already existing energy generation plants or new plants under construction, and due to the debt acquired in a currency other than the functional currency of the Company.

The instruments used to control the exchange rate risk correspond to currency swaps and forwards.

In terms of currencies, the current balance sheet of the Company presents an excess of assets over liabilities in Chilean pesos. This "long" position in Chilean pesos creates an exchange rate difference of approximately US$3,4 million for each $10 variation in the parity of Chilean peso to US dollar.

b. Interest Rate Risk

It relates to variation of interest rates that affect the value of future flows stated at a variable exchange rate, and to the variations in the fair value of assets and liabilities stated at a fixed interest rate that are recorded at fair value.

The purpose of risk administration is to achieve a balance in the debt structure, decrease the impacts in cost due to fluctuations in the interest rate and therefore reduce the volatility in the profit or loss of the Company.

In order to mitigate these risks, hedge derivatives are acquired. The instruments utilized are fixed interest rate swaps and collars.

The Company's financial debt, incorporating the effect of the acquired interest rate derivatives, is as follows:

Interest rate	31.12.2011	31.12.2010
Fixed	100%	100%
Variable	0%	0%
Total	**100%**	**100%**

Also, Colbún has a remaining position of derivatives that covered the interest rate risk of the credit that was partially prepaid in February 2010. These instruments for a notional amount of US$200 million result in an active exposure to Libor rate. This position will be managed in accordance with the Company's policies in order to minimize the financial impact of undoing these positions.

c. Credit Risk

The Company could be exposed to credit risk due to the possibility that counterparty could fail to comply with its contractual obligations, creating an economic or financial loss. Historically, all counterparties with whom Colbún has signed agreements regarding the delivery of energy have adequately responded to their payment obligations. In addition, most of the collections performed by Colbún are from members of the Chilean Central Interconnected System, which are entities with a high solvency.

Notwithstanding the above, during the lasts months we have noted specific insolvency problems of certain CDEC members.

Regarding the treasury and derivative placements, Colbún performs these transactions with entities with a high credit rating, recognized both nationally and internationally, in order to reduce the Company's' credit risk. Furthermore, the Company has established participation limits of the counterparty, which are approved by the Board of the Company and are reviewed periodically.

As of December 31, 2011 the total investments of cash surplus are invested in local banks, with a credit classification equal or higher than AA-, except for an investment in euros with international counterparties with international risk rating investment level. Regarding the existing derivatives, all of the Company's' international counterparties have a risk equivalent to investment level and 89% of these have an international risk rating of A or higher.

d. Liquidity risk

This risk is generated by the different funding requirements to comply with investment commitments and business expenses, debt maturities, etc.

The necessary funds to comply with these cash flows disbursements are obtained from resources generated in the ordinary operations of the Company, and by credit lines that ensure sufficient funds to meet the needs expected for a certain period.

As of December 31, 2011, Colbún had a cash surplus of US$296 million invested in Mutual Funds with daily liquidity and time deposits with an average length of less than 90 days. The Company has as additional liquidity source available today: (i) a credit line with local entities in the amount of UF 5 million, (ii) two bonds lines in the local market in the amount of UF 7 million, (iii) a line of commercial bills in the local market in the amount of UF 2.5 million and (iv) two non-committed bank lines in the amount of approximately US$150 million.

4.3 Risk Measurement

The Company performs regular analysis and measurements of its exposure to the different risk variables, as stated in the previous paragraphs.

In order to measure its exposure, Colbún uses methodologies widely used in the market to perform sensibility analysis over each risk variable, so that the management can mitigate the exposure to the Company according to the different variables and their economic impact.

5. Critical Accounting policy

The Company makes estimates and judgments that have significant effects on the figures presented in the financial statements. Changes in assumptions and estimates could have a significant impact on the financial statements. The following are the estimates and critical judgments used by Management when preparing these financial statements:

a. Calculation of depreciation and amortization, and estimate of related useful lives:

Both property, plants and equipment as well as intangible assets other than capital gain with a defined lifetime are depreciated and amortized using the straight-line method over their estimated lifetime. Lifetimes have been estimated and determined, considering technical aspects, nature of the asset and conditions of the products. The lifetimes estimated as of December 31, 2011 and 2010, are as follows:

(i) Useful lives of property, plant and equipment:

The detail of the useful lives of the significant property, plant and equipment are as follows:

Useful lives	Estimated useful lives
Construction and infrastructure work	30 - 50
Machinery and equipment	20 - 50
Other fixed assets	10 - 20

For further information, these are additional details per types of plants:

Types of plants	Estimated useful lives
Generating facilities	
Hydropower stations	
Construction work	30 - 50
Electromechanical equipment	20 - 50
Thermapower Stations	
Construction work	20 - 50
Electromechanical equipment	20 - 35

(ii) Useful lives of intangible assets other than goodwill (with defined lifetimes):

The useful lives of the Company's intangible assets correspond to software and other similar items, which are amortized according to the length of each contract.

(iii) Useful lives of intangible assets other than goodwill (with undefined lifetimes):

The Company performed an analysis of the water rights' useful lives and rights of ways, concluding that there is no foreseeable limit to the period of time in which such assets other than capital gain will generate net revenues from net cash flows. For such intangible assets it has been determined that their useful lives are indefinite.

b. Impairment of tangible and intangible assets, excluding lower value

At each period closing, or on such date on which it is considered necessary, the assets' value is analyzed to determine whether there exists any sign that such asset has suffered deterioration. In cases where there are any signs of deterioration, an estimation of the recoverable amount of such asset will be performed to determine, in each case, the amount of the necessary sanitation. In the case of identifiable assets that do not generate independent cash flows, the recovery of the Cash Generating Unit to which the asset belongs is estimated.

In the case of the Cash Generating Units to which tangible or intangible assets have been assigned indefinite useful lives, the recovery analysis is performed automatically by the system at year-end or under circumstances considered necessary to perform such analysis.

The recoverable amount of an asset is the higher of its fair value minus the necessary cost for its sale and its value in use, this being the actual value of the estimated future cash flows. For the calculation of the recovery value of property plant and equipment, the value in use is utilized by the Company.

To estimate the value in use, the Company prepares the future cash flows before taxes using the most recent budgets approved by Company Management. These budgets incorporate the best available estimations of income and expenses of the Cash Generating Units using the best estimates, the prior year experiences and the future expectations.

These cash flows are discounted at a certain rate to calculate the current value, before taxes, considered as the cost of business capital in which the Company operates. For this calculation, the current cost of money and risk premiums generally used by the business are considered.

In the cases where the recoverable amount is lower than the net carrying amount of the assets, an impairment loss is recorded for the difference, which is included in Profit or Loss.

The impairment losses recognized in prior years are reversed when a change occurs in the estimates of the recoverable amount, increasing the value of the assets with an offset to Profit or Loss up to the extent of the original value of the asset before impairment.

Company management, based on the result of the impairment test, considers that there are no impairment indicators for tangible and intangible assets, as these values do not exceed their own recoverable value.

c. Financial assets held to maturity

The Directors have reviewed the Company's financial assets held up until maturity considering the liquidity requirements and capital maintenance and have confirmed the positive intention and the capacity of the Company to hold such assets up until maturity.

d. Fair value of derivatives and other financial instruments

As described in note 4, Management utilizes various criteria to choose an adequate valuation technique for financial instruments that are not publicly traded. The Company applies the valuation techniques commonly used by other industry professionals. For derivative financial instruments, the assumptions are based on the quoted market rates, adjusted in conformity with the specific features of the instruments. Other financial instruments are valued using an updated analysis of the cash flows based on the supported assumptions, when possible, for the observable market prices or rates.

6. Operating segments

Colbún's' principal business is the generation and sale of electric energy. For such purposes, the Company has assets that produce such energy and sells the energy to several customers via supply contracts and to others without contracts in conformity with the established by law.

The administration control system of Colbún analyzes the business from the hydraulic/thermal assets point of view, by their producing electric energy to meet customers' portfolio. Consequently, the assignment of resources and the performance measures are analyzed in aggregated terms.

Regardless of the above, internal management considers classification criteria for the assets and for the customers for descriptive purposes and not for business segment classification.

Some of the classification criteria are, for example, the production technology: Hydro-electrical plants (which can be run of the river centrals or reservoir) and thermal plants (which can be used as combined cycle, open cycle, etc.). The customers, in turn, are classified following concepts contained in the regulation for non-regulated clients; regulated clients and spot market (see note 2).

There are no direct relationships between each of the generating plants and the supply contracts; these are established according to Colbún's' total capacity, and they can be supplied with the generation of any of the plants or with energy purchases from other generating plants.

Colbún is part of the CDEC-CIS dispatch system, and therefore the generation of each of these plants is defined by this dispatch system, according to the definition of economic optimum for the total CIS.

As Colbún operates only in the CIS, no geographic segmentation is applicable.

The electrical regulation in Chile contemplates a conceptual separation between energy and power, not because they are two different physical elements but for purposes of an efficient economic tariff system. Therefore, there is a difference between energy whose tariff is established in monetary units per energy unit (KWh, MWh, etc.) and power whose tariff is established in monetary units per power unit - time unit (KW - month).

Consequently, for the purposes of the application of IFRS 8, there is only one operating segment for Colbún, relating to the aforementioned business.

Information regarding products and services

Services	January - December	
	2011 ThUS$	2010 ThUS$
Sale of energy	1,022,871	782,068
Sale of power	149,085	142,398
Other income	160,820	99,777
Total sales	**1,332,776**	**1,024,243**

Information on major customers

Major Customers	January - December			
	2011		2010	
	ThUS$	%	ThUS$	%
CGE	345,545	26%	208,604	20%
Chilectra	248,010	19%	63,748	6%
Angloamerican	175,873	13%	160,979	16%
Codelco	146,350	11%	137,388	13%
Conafe	43,810	3%	41,297	4%
Otros	373,188	28%	412,227	41%
Total sales	**1,332,776**	**100%**	**1,024,243**	**100%**

7. Cash and cash equivalents

a. The composition of cash and cash equivalents as of December 31, 2011 and December 31, 2010, is as follows:

Cash and cash equivalents	31.12.2011 ThUS$	31.12.2010 ThUS$
Cash in banks	56	43
Bank balances	333	332
Short-term deposits	192,788	437,003
Mutual Funds	102,649	117,144
Total	**295,826**	**554,522**

The short-term deposits mature in a period less than three months and accrue the market interest for short - term investments.

The Mutual Funds correspond to fixed income funds in Chilean pesos, Euros and US dollars, which are recorded at the respective share at the closing date of the consolidated financial statements.

The cash and cash equivalents have no use restrictions.

b. The details of cash and cash equivalents, per type of currency, considering the effect of derivatives, are as follows:

	31.12.2011		31.12.2010	
Currency	Original currency ThUS$	Derivative currency [1] ThUS$	Original currency ThUS$	Derivative currency [1] ThUS$
EUR	13,858	52,874	6,040	38,274
CLP	221,553	81,061	539,768	144,063
USD	60,415	161,100	8,714	360,237
Total	**295,826**	**295,035**	**554,522**	**542,574**

(1) Considers the effect of exchange rate forwards signed to re-denominate short – time deposits in dollars or euros.

8. Other Financial Assets

	Total current		Total non-current	
	31.12.2011 ThUS$	31.12.2010 ThUS$	31.12.2011 ThUS$	31.12.2010 ThUS$
Hedge derivative instruments [2]	4,528	14,895	11,052	33,466
Investment derivatives	-	509	-	-
TGN Trust [1]	-	374	-	-
Investment in CDEC	-	-	289	367
Total	**4,528**	**15,778**	**11,341**	**33,833**

(1) These correspond to debt instruments issued by Financial Trust Transportadora de Gas del Norte Series 2.

(2) These correspond to current and non-current positive mark-to-market value of hedge derivatives in effect at each period (see note 13.1).

9. Trade and other receivables

Item	Total current	
	31.12.2011 ThUS$	31.12.2010 ThUS$
Trade debtors with contract	157.031	132.585
Unbilled non-contracted trade debtors	418	104.001
Sundry debtors (1)	56.603	71.799
Total	**214.052**	**308.385**

(1) Principally corresponds to supplier advances and Insurance Claims accounts receivable.

The average collection period is 30 days, excluding the debt with customers without contract (RM88), amount that is charged in accordance with the provisions of Exempt Resolution Nº 933 of the Chilean National Energy Commission and indicated in Law Nº 20,018 (Short Law II).

Considering the solvency of the debtors, current regulations and invoice collection time, the Company believes that it does not require an uncollectible provision at each year end.

The fair values of trade debtors and other receivables correspond to the same commercial values.

10. Financial instruments

a. Financial instruments per category

The accounting policies related to the financial instruments have been applied to the following categories:

December 31, 2011	Held to maturity ThUS$	Loans and accounts receivable ThUS$	Trading ThUS$	Hedge derivatives ThUS$	Total ThUS$
Mutual funds and short -term deposits (see note 7)	-	192,788	102,649	-	295,437
Trade debtors and accounts receivable (see note 9)	-	214,052	-	-	214,052
Derivative financial instruments (see note 13)	-	-	-	15,580	15,580
Other financial assets (see note 8)	289	-	-	-	289
Total	**289**	**406,840**	**102,649**	**15,580**	**525,358**

December 31, 2010	Held to maturity ThUS$	Loans and accounts receivable ThUS$	Trading ThUS$	Hedge derivatives ThUS$	Total ThUS$
Mutual funds and short -term deposits (see note 7)	-	437,003	117,144	-	554,147
Trade debtors and accounts receivable (see note 9)	-	311,199	-	-	311,199
Derivative financial instruments (see note 13)	-	-	-	48,361	48,361
Other financial assets (see note 8)	741	-	509	-	1,250
Total	741	748,202	117,653	48,361	914,957

b. Credit rating of the financial assets

The credit rating of financial assets that have not yet reached maturity and have not incurred an impairment loss can be assessed according to the credit rating granted to the counterparties of the Company by credit rating agencies with national and international prestige.

Credit Quality of Financial Assets	31.12.2011 ThUS$	31.12.2010 ThUS$
Customers with local risk rating		
AAA	12.420	9.574
AA	51.976	32.713
AA-	-	46.115
A+	61.424	562
A	910	395
A-	96	48
Total	**126.826**	**89.407**
Customers without local risk rating		
Total	**30.205**	**43.178**
Distributors without energy sales contract		
Total	**418**	**104.001**
Cash in banks and short-term bank deposits local market		
AAA	109.033	248.058
AA+	54	121.877
AA	58.494	137
AA-	25.511	67.306
Total	**193.092**	**437.378**
Cash in banks and short-term bank deposits International market (*)		
A+ or lower	85	-
Total	**85**	**-**
Derivative financial assets local market		
AAA	8.941	26.637
AA+	206	-
AA-	4.342	13.365
Total	**13.489**	**40.002**
Derivative financial assets International Market		
AA-	-	4.362
A+ or lower	2.091	3.997
Total	**2.091**	**8.359**

(*) International Rating

None of financial assets with pending maturities were renegotiated during the period.

11. Related party information

The operations between the Company and its dependent subsidiaries, which are related parties, are part of the habitual transaction of the Company in relation to its purpose and conditions, and have been eliminated in consolidation. The relationship between the controller and subsidiary and associates has been detailed in Note 3.1, letter b.

a. Majority shareholders

The detail of the shareholders of the Company as of December 31, 2011, is as follows:

Shareholders	Ownership %
Minera Valparaíso S.A.	35,17
Forestal Cominco S.A.	14,00
Antarchile S.A.	9,58
AFP Provida S.A. (*)	5,53
AFP Habitat S.A. (*)	4,62
AFP Capital S.A. (*)	4,18
AFP Cuprum S.A. (*)	2,80
Banco de Chile por cuenta de terceros	1,98
Larraín Vial S.A. Corredora de Bolsa.	1,41
Banco Itaú por cuenta de inversionistas	1,64
Other Shareholders	19,09
Total	**100,00**

(*) It corresponds to the consolidated share of each Pension Fund Administrator.

b. Balances and transactions with related companies:

b.1. Due from related companies

Taxpayer Number	Company	Country of origin	Relationship	Type of currency	Total current 31.12.2011 ThUS$	Total current 31.12.2010 ThUS$	Total non-current 31.12.2011 ThUS$	Total non-current 31.12.2010 ThUS$
96.731.890-6	Cartulinas CMPC S.A.	Chile	Member of controlling group	USD	10,000	-	10,000	-
				CLP	1,806	1,629	-	-
96.853.150-6	Papeles Cordillera S.A.	Chile	Member of controlling group	CLP	1,312	1,186	398	332
90.532.330-9	CMPC Celulosa S.A.	Chile	Member of controlling group	CLP	1,639	-	-	-
96.806.130-5	ElectroGas S.A.	Chile	Member of controlling group	USD	1,308	-	-	-
96.529.310-8	CMPC Tissue S.A.	Chile	Member of controlling group	CLP	453	415	-	-
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Affiliate	CLP	232	1,655	-	-
76.652.400-1	Centrales Hidroeléctricas de Aysén S.A.	Chile	Affiliate	CLP	-	-	-	3,477
				Total	**16,750**	**4,885**	**10,398**	**3,809**

b.2. Due to related companies

Taxpayer Number	Company	Country of origin	Relationship	Type of currency	Total current 31.12.2011 ThUS$	Total current 31.12.2010 ThUS$
99.520.000-7	Compañía de Petróleos de Chile Copec S.A.	Chile	Joint Director	CLP	31,901	13,112
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Affiliate	CLP	220	374
90.412.000-6	Minera Valparaíso S.A.	Chile	Shareholder	USD	-	13,425
79.621.850-9	Forestal Cominco S.A.	Chile	Shareholder	USD	-	5,192
				Total	**32,121**	**32,103**

b.3. Significant transactions and their impact on profit or loss

Taxpayer number	Company	Country of origin	Relationship	Type of currency	Description of the transaction	January - December 2011 Amount ThUS$	2011 (Charge) credit or profit or loss ThUS$	2010 Amount ThUS$	2010 (Charge) credit or profit or loss ThUS$
77.017.930-0	Transmisora Eléctrica de Quillota Ltda.	Chile	Affiliate	CLP	Toll for use of facilities	3.472	(2.918)	2.558	(2.172)
				UF	Interest on loan	69	69	104	104
				UF	Administrative Services	232	232	-	-
76.652.400-1	Centrales Hidroeléctricas de Aysén S.A.	Chile	Affiliate	UF	Loans granted [1]	9.244	-	14.856	-
				UF	Interest on loan	101	101	1.625	1.625
				UF	Capitalization of debt [1]	12.921	-	48.663	-
				UF	Capital Contributions [1]	11.916	-	-	-
96.731.890-6	Cartulinas CMPC S.A.	Chile	Member of controlling group	CLP	Sale of energy and power	23.855	20.046	21.904	18.667
				USD	Sale of energy and power	23.800	20.000	-	-
96.529.310-8	CMPC Tissue S.A.	Chile	Member of controlling group	CLP	Sale of energy and power and transportation of energy	5.766	4.845	5.282	4.502
96.806.130-5	Electrogas S.A.	Chile	Affiliate	CLP	Gas transportation service	9.802	(8.237)	9.460	(7.950)
				CLP	Diesel transportation service	1.064	(894)	1.092	(917)
				USD	Dividends Received	1.286	-	-	-
				USD	Dividends Declared [2]	1.308	-	-	-
96.889.570-2	Inversiones Electrogas	Chile	Affiliate	USD	Dividends Recieved	7.276	-	-	-
96.853.150-6	Papeles Cordillera S.A.	Chile	Member of controlling group	CLP	Sale of energy and power and transportation of energy	16.039	13.478	14.713	12.540
90.412.000-6	Minera Valparaíso S.A.	Chile	Shareholder	USD	Dividends Paid	13.043	-	27.436	-
79.621.850-9	Forestal Cominco S.A.	Chile	Shareholder	USD	Dividends Paid	5.192	-	10.921	-
90.532.330-9	CMPC Celulosa S.A.	Chile	Member of controlling group	CLP	Sale of energy and power and transportation of energy	40.459	33.999	21.188	17.805
99.520.000-7	Compañía de Petróleos de Chile Copec S.A.	Chile	Joint Director	CLP	Fuel Purchases	267.783	(225.028)	365.696	(307.824)

(1) On April 8, 2011 the Extraordinary Meeting of Shareholders of Centrales Hidroeléctricas de Aysén S.A. agreed to increase the capital of such company. Colbún was involved through the capitalization of loans granted to this company (ThUS$9,244 in 2011 and ThUS$3,677 in 2010) and capital contributions by ThUS$11,916 as of December 31, 2011.

(2) At December 2011, the affiliate Electrogas S.A. filed an interim dividend charged to income of 2011.

There is no guarantee, granted or received for the transactions with related parties.

There are no doubtful accounts with pending balances that require an allowance or need to be written off to profit or loss.

All transactions with related parties were performed in conformity with market terms and conditions.

c. Administration and Senior Management

The members of the senior management and other persons assuming the administration of Colbún, as well as its shareholders or natural or legal persons which they represent, have not participated as of December 31, 2011 and 2010, in unusual and/or relevant transactions with the Company.

The Company is administered by a board of 9 directors' members, which remain for a period of three years with the possibility of reelection.

The Company's Board of Directors was renewed in the Shareholders' Ordinary Meeting held on April 26, 2011.

d. Directors' Committee

In conformity with Article 50 of law Nº 18,046 on Publicly Traded Companies, Colbún and subsidiaries have a directors' committee composed of three members, who have the responsibilities outlined in such article.

The Shareholders' Ordinary Meeting held on April 26, 2011 appointed Mr. Luis Felipe Gazitúa Achondo, Mr. Fernando Franke García and Mr. Sergio Undurraga Saavedra as members of the Directors' Committee. The two latter were appointed as independent directors.

e. Compensation and other service renderings

In conformity with Article 33 of Law Nº 18,046 on Publicly Traded Companies, the remuneration of the Board of Directors is determined at the Ordinary General shareholders Meeting.

The detail of the amount paid during the period of December 31, 2011 and 2010 including for the members of the directors' committee and the directors of the subsidiaries, are as follows:

e.1 Directors' compensation:

Name	Position	January - December			
		2011		2010	
		Board of Colbún ThUS$	Directors Committee ThUS$	Board of Colbún ThUS$	Directors Committee ThUS$
Bernardo Matte Larraín	Chairman	109	-	112	-
Emilio Pellegrini Ripamonti	Vice Chairman	20	-	87	14
Demetrio Zañartu Bacarreza	Director	18	-	47	-
Luis Felipe Gazitúa Achondo	Director	55	13	47	-
Fernando Franke García	Director	55	13	47	13
Juan Hurtado Vicuña	Director	55	-	46	-
Eduardo Navarro Beltrán	Director	55	-	47	-
Arturo Mackenna Iñiguez	Director	55	-	47	-
Sergio Undurraga Saavedra	Director	55	13	47	13
Eliodoro Matte Larraín	Director	37	-	-	-
Jorge Larraín Bunster	Director	37	-	-	-
Total		**551**	**39**	**527**	**40**

e.2 Advisory expenses of the Board of Directors

During the fiscal period December 31, 2011 and 2010, the board of directors did not have any advisory expenses.

e.3 Compensation of the members of the senior management, who are not directors.

Name	Position
Jorge Bernardo Larraín Matte	General Manager
Juan Eduardo Vásquez Moya	Manager of Business Division and Energy Administration
Enrique Donoso Moscoso	Manager Generation Division
Cristián Morales Jaureguiberry	Manager of Finance and Administration Division
Eduardo Lauer Rodríguez	Manager Engineering and Projects Division
Carlos Abogabir Ovalle	Manager of Corporate Issues
Rodrigo Pérez Stiepovic	Manager of Legal Affairs
Paula Martínez Osorio	Organization and Human Resources Manager
Eduardo Morel Montes	Technology Advisor

The accrued compensation for members of senior management adds to ThUS$3.931 for the year ended December 31, 2011, and ThUS$2.467 for the period ended on December 31, 2010. This compensation includes the regular monthly salary and an estimate of short-term (annual bonus) and long-term benefits (mainly provision for severance payments).

e.4 Receivable and payable accounts and other transactions

There are no accounts receivable and payable between the Company and its directors and officers.

e.5 Other transactions

There are no other transactions between the Company and its directors and officers.

e.6 Guarantees constituted by the Company in favor of the directors

During the periods ended on December 31, 2011 y 2010, the Company has not performed such operations.

e.7 Incentive plans for the main executives and managers

The Company has established annual bonuses for its management group in relation to the evaluation of their individual performance, and their goal compliance at a company level, as well as regarding the group and individual performance of each executive.

e.8 Indemnities paid to other main executives and officers

During the year ended December 31, 2011, Thus$ 450 was paid. During 2010, there were no payments for this concept.

e.9 Guarantee clauses: board of directors and Company management

The Company has no guarantee clauses with its directors or officers.

e.10 Stock plans linked to quoted share price

The Company does not have these types of plans.

12. Inventory

Inventory measurement policy

Inventory represents i) the stock of gas, oil and coal, which are measured at their average weighted costs and ii) coal imports in transit valued at cost and iii) inventory at warehouse stock that will be used during the period, in the maintenance of Company´s property plant and equipment, which are valued at cost, amounts that shall not exceed their realizable net value.

The detail of inventory is as follows:

Class of inventory	31.12.2011 ThUS$	31.12.2010 ThUS$
Inventory at warehouse	9,923	9,689
Gas Line Pack	274	273
Oil	3,913	3,699
Coal [1]	27,122	-
Existence in transit [1]	5,034	-
Total	**46,265**	**13,661**

[1] Corresponds to coal inventories that will be used in performance testing in Santa María Plant Project.

Cost of inventories recognized as expenses during the period:

Recognized consumption as expenses during 2011 and 2010 respectively, are detailed as follows:

Inventory cost	January - December	
	2011 ThUS$	2010 ThUS$
Inventory at warehouse	7,569	3,930
Gas Line Pack (see note 29)	303,563	127,862
Oil (see note 29)	357,262	336,560
Total	**668,394**	**468,352**

13. Derivative instruments

The Company, in compliance with their financial risk management policy described in note 4, acquires financial derivatives to hedge its exposure to interest rate variation, currency (foreign currency exchange rate) and fuel prices.

The interest rate derivatives are used to establish or limit the variable interest rate of the financial obligations and correspond to interest rate swaps and zero-cost collars.

The foreign currency derivatives are used to hedge the exchange rate of the US dollar in comparison to the Chilean peso (CLP), Unidad de Fomento (UF) and Euros (EUR), among others, due to investments or existing obligations in currencies other than the US dollar. These instruments correspond mainly to Forwards and Cross Currency Swaps.

The derivatives to hedge fuel prices are used to mitigate the risk of variation in the energy production costs of the Company, due to a change in fuel prices and in supplies used in construction projects of electricity generating companies. The instruments utilized correspond mainly to options and forwards.

As of December 31, 2011, the Company classified all its hedges as "cash flow hedges", except for US$200 million (nominal value) of interest rate derivatives that were without hedged item when prepaying a syndicated loan in February 2010 and whose position has been open and the mark-to-market valuation of these derivatives is recorded as profit or loss in the Statements of Integral Income.

13.1 Hedge Instruments

The detail of hedge instruments as of December 31, 2011 and December 31, 2010, which includes the valuation of financial instruments as of such dates, is as follows:

Hedge assets	Current		Non-current	
	31.12.2011 ThUS$	31.12.2010 ThUS$	31.12.2011 ThUS$	31.12.2010 ThUS$
Exchange rate hedge				
Cash flow hedge	4,528	8,169	11,052	33,466
Fuel price hedge				
Cash flow hedge	-	6,726	-	-
Total (see note 8)	**4,528**	**14,895**	**11,052**	**33,466**

Hedge liabilities	Current		Non-current	
	31.12.2011 ThUS$	31.12.2010 ThUS$	31.12.2011 ThUS$	31.12.2010 ThUS$
Exchange rate hedge				
Cash flow hedge	-	14,710	-	-
Interest rate hedge				
Cash flow hedge	1,714	2,077	23,597	16,845
Total (see note 22.a)	**1,714**	**16,787**	**23,597**	**16,845**

The detail of Colbún S.A. hedge portfolio is as follows:

Hedge instrument	Fair Value of Hedge Instrument		Hedged item	Covered risk	Hedge type
	31.12.2011 ThUS$	31.12.2010 ThUS$			
Fx Forwards	2.123	2.630	Disbursement projects	Exchange rate	Cash flow
Fx Forwards	(572)	(14.710)	Financial investments	Exchange rate	Cash flow
Interest Rate	(11.644)	(7.177)	Bank loans	Interest rate	Cash flow
Interest Rate	(13.667)	(11.325)	Bonds payable	Interest rate	Cash flow
Cross Currency Swaps	5.950	25.310	Bonds payable	Exchange rate	Cash flow
Cross Currency Swaps	8.079	13.275	Bank loans	Exchange rate	Cash flow
Oil Call Options	-	6.726	Purchases of Oil	Oil Price	Cash flow
Total	**(9.731)**	**14.729**			

In relation to the cash flow hedges recorded as of December 31, 2011, the Company has not recognized income or losses due to hedge ineffectiveness.

13.2 Hierarchy of Fair Value

The fair value of the financial instruments recognized in the Statement of Financial Position has been determined utilizing the following hierarchy according to the input data utilized during the valuation.

Level 1: Prices quoted in active markets for identical instruments.

Level 2: Prices quoted in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market data.

Level 3: Valuation techniques for which all relevant inputs are not based on observable market data.

As of December 31, 2011, the fair value calculation of all financial instruments subject to valuation has been determined based on Level 2 of the previously presented hierarchy.

14. Investments in subsidiaries

The consolidated financial statements include the financial statements of the Parent Company and the companies under its control (see note 3b). The following table includes detailed information of the Subsidiaries as of December 31, 2011 and December 31, 2010.

Subsidiary	31.12.2011					
	Current Assets ThUS$	Non-current Assets ThUS$	Current Liabilities ThUS$	Non-current Liabilities ThUS$	Ordinary Income ThUS$	Net amount of Income (Loss) ThUS$
Empresa Eléctrica Industrial S.A	1,104	11,457	6,547	514	3,625	(530)
Colbún International Limited	532	-	5	-	-	(9)
Sociedad Hidroeléctrica Melocotón Ltda.	1	1,162	631	-	-	-
Río Tranquilo S.A.	23,343	73,647	26,356	6,113	14,534	4,769
Hidroeléctrica Guardia Vieja S.A.	155,422	247,526	82,677	8,824	55,941	15,116
Hidroeléctrica Aconcagua S.A.	109,856	107,210	95,344	17,753	49,033	30,514
Obras y Desarrollo S.A.	49,828	37,028	29,283	11,248	23,132	1,551
Termoeléctrica Nehuenco S.A.	2,035	3,186	18,319	1,184	1,191	(5,055)
Termoeléctrica Antilhue S.A.	6,196	54,161	30,510	5,745	6,000	1,740

Subsidiary	31.12.2010					
	Current Assets ThUS$	Non-current Assets ThUS$	Current Liabilities ThUS$	Non-current Liabilities ThUS$	Ordinary Income ThUS$	Net amount of Income (Loss) ThUS$
Empresa Eléctrica Industrial S.A	2,741	10,986	7,229	470	1,681	(870)
Colbún International Limited	542	-	5	-	-	(16)
Sociedad Hidroeléctrica Melocotón Ltda.	-	681	151	-	-	(3)
Río Tranquilo S.A.	5,347	79,810	19,936	5,469	15,078	7,545
Hidroeléctrica Guardia Vieja S.A.	103,061	284,786	26,561	10,342	55,829	29,457
Hidroeléctrica Aconcagua S.A.	26,402	110,572	18,552	18,479	61,673	37,894
Obras y Desarrollo S.A.	31,252	38,672	1,104	11,229	41,238	4,413
Termoeléctrica Nehuenco S.A.	255	2,372	10,766	1,088	1,450	(2,870)
Termoeléctrica Antilhue S.A.	136	57,224	30,010	4,988	-	(1,465)

15. Non-current rights receivable

The detail of this item as of December 31, 2011 and December 31, 2010, is as follows:

Rights receivable	31.12.2011 ThUS$	31.12.2010 ThUS$
Trade receivables with contract	-	2.814
Total	-	**2.814**

16. Investments in associates accounted under equity method

a. Equity Method:

The following table is a detail of the significant companies in which Colbún has a percentage ownership, recorded according to the equity method of accounting as of December 31, 2011 and 2010:

	Number of shares	Ownership percentage 31.12.2011 %	Balance as of 01.01.2011 ThUS$	Additions ThUS$	Profit (loss) for the year ThUS$	Dividends ThUS$	Equity reserve ThUS$	Subtotal 31.12.2011 ThUS$	Unrealized income 31.12.2011 ThUS$	Total 31.12.2011 ThUS$
Centrales Hidroeléctricas Aysén S.A. (1)	3.237.675	49,00%	104.004	24.837	(5.051)	-	(13.090)	110.700	-	110.700
Inversiones Electrogas S.A. (3)	0	0,00%	15.814	(21.568)	7.400	(7.276)	4.783	(847)	847	-
Electrogas S.A. (3)	175.076	42,05%	9	20.269	1.210	(1.286)	(1.461)	18.741	-	18.741
Transmisora Eléctrica de Quillota Ltda. (3)	0	50,00%	10.662	-	713	-	(979)	10.396	-	10.396
		Total	**130.489**	**23.538**	**4.272**	**(8.562)**	**(10.747)**	**138.990**	**847**	**139.837**

	Number of shares	Ownership percentage 31.12.2010 %	Balance as of 01.01.2010 ThUS$	Additions ThUS$	Profit (loss) for the year ThUS$	Dividends ThUS$	Equity reserve ThUS$	Subtotal 31.12.2010 ThUS$	Unrealized income 31.12.2010 ThUS$	Total 31.12.2010 ThUS$
Centrales Hidroeléctricas Aysén S.A. (1)	3.237.675	49,00%	56.220	48.663	(6.943)	-	6.064	104.004	-	104.004
Inversiones Electrogas S.A. (2)	425	42,50%	15.570	-	6.540	(6.190)	741	16.661	(847)	15.814
Electrogas S.A. (2)	85	0,02%	8	-	4	(3)	-	9	-	9
Transmisora Eléctrica de Quillota Ltda.	0	50,00%	8.952	-	908	-	802	10.662	-	10.662
		Total	**80.750**	**48.663**	**509**	**(6.193)**	**7.607**	**131.336**	**(847)**	**130.489**

(1) See explicative note 11.b.3

(2) The Company applies the equity method of accounting for Electrogas S.A. as it exercised significant influence from having two members on its Board, and also because Colbún owns 42,5% of Inversiones Electrogas S.A., it's Parent Company.

(3) At November 16, 2011, deeds applicable to the merger of Electrogas S.A. and Inversiones Electrogas S.A. by means of the absorption of the latter by the former were notarized.

b. Financial information of companies under joint control

The financial statement as of December 31, 2011 and December 31, 2010 for companies in which the Company has joint control is as follows:

31.12.2011

Company	Current assets ThUS$	Non-current assets ThUS$	Current Liabilities ThUS$	Non-current liabilities ThUS$	Ordinary income ThUS$	Ordinary expenses ThUS$
Electrogas S.A. (see note 16.a)	5,176	86,203	18,312	28,973	35,640	(2,670)
Centrales Hidroeléctricas de Aysén S.A.	19,743	223,187	14,153	1,994	-	(15,277)
Transmisora Eléctrica de Quillota Ltda.	2,841	20,289	596	1,862	4,521	(1,727)
Total	**22,584**	**243,476**	**14,749**	**3,856**	**4,521**	**(17,004)**

31.12.2010

Company	Current assets ThUS$	Non-current assets ThUS$	Current Liabilities ThUS$	Non-current liabilities ThUS$	Ordinary income ThUS$	Ordinary expenses ThUS$
Electrogas S.A. (see note 16.a)	9,806	90,445	20,941	36,817	30,518	(2,449)
Inversiones Electrogas S.A. (see note 16.a)	-	4,548	5	-	1,922	(303)
Centrales Hidroeléctricas de Aysén S.A.	22,651	206,146	16,358	1,373	-	(10,109)
Transmisora Eléctrica de Quillota Ltda.	6,894	20,303	3,754	1,959	4,534	(1,718)
Total	**29,545**	**226,449**	**20,112**	**3,332**	**4,534**	**(11,827)**

17. Intangible assets other than goodwill

a. Following is the breakdown as of December 31, 2011 and December 31, 2010:

Intangible Assets, Net	**31.12.2011** ThUS$	**31.12.2010** ThUS$
Water rights	16,680	15,709
Rights-of-ways	36,906	17,322
Software	5,736	6,587
Total	**59,322**	**39,618**

Intangible Assets, Gross	**31.12.2011** ThUS$	**31.12.2010** ThUS$
Water rights	16,680	15,709
Rights-of-ways	36,922	17,338
Software	7,794	7,084
Total	**61,396**	**40,131**

Accumulated amortization	**31.12.2011** ThUS$	**31.12.2010** ThUS$
Rights-of-ways	(16)	(16)
Software	(2,058)	(497)
Total	**(2,074)**	**(513)**

b. The composition and movement of intangible assets during the periods ended on December 31, 2011 and 2010 is as follows:

Movements in 2011	**Water rights** ThUS$	**Rights-of-ways** ThUS$	**Software** ThUS$	**Intangibles, Net** ThUS$
Beginning balance as of January 1, 2011	15,709	17,322	6,587	39,618
Additions	971	3,764	614	5,349
Transfers	-	15,820	96	15,916
Amortization (see note 31)	-	-	(1,561)	(1,561)
Total December 31, 2011	**16,680**	**36,906**	**5,736**	**59,322**

Movements in 2010	**Water rights** ThUS$	**Rights-of-ways** ThUS$	**Software** ThUS$	**Intangibles, Net** ThUS$
Beginning balance as of January 1, 2010	13,864	13,467	6,097	33,428
Additions	1,845	3,789	510	6,144
Transfers	-	74	399	473
Amortization (see note 31)	-	(8)	(419)	(427)
Total December 31, 2010	**15,709**	**17,322**	**6,587**	**39,618**

As explained in note 5b), the Company’s management considers that there are no indications of impairment of the book value of intangible assets.

The Company does not have intangible assets that are considered as guarantees for the compliance with obligations.

18. Property, plant and equipment, net

a. The detail of the Property, plant and equipment as of December 31, 2011 and 2010:

Class Property, plant and equipment, net	31.12.2011 ThUS$	31.12.2010 ThUS$
Land	272.842	259.421
Construction and infraestructure	1.785.605	1.776.963
Machinery and equipment	1.086.706	1.238.242
Other fixed assets	50.719	49.646
Works in progress	1.398.849	1.107.296
Total	**4.594.721**	**4.431.568**

Class Property, plant and equipment, gross	31.12.2011 ThUS$	31.12.2010 ThUS$
Land	272.842	259.421
Construction and infraestructure	2.040.950	1.965.726
Machinery and equipment	1.305.871	1.402.694
Other fixed assets	59.858	56.998
Works in progress	1.398.849	1.107.296
Total	**5.078.370**	**4.792.135**

Depreciation Accumulated and Impairment Property, Plant and Equipment	31.12.2011 ThUS$	31.12.2010 ThUS$
Construction and infraestructure	(255.345)	(188.763)
Machinery and equipment	(219.165)	(164.452)
Other fixed assets	(9.139)	(7.352)
Total	**(483.649)**	**(360.567)**

b. The composition and movement of property, plant and equipment during the period ended on December 31, 2011 and 2010 is as follows:

Movements in 2011	**Land** ThUS$	**Construction and infrastructure** ThUS$	**Machinery and equipment** ThUS$	**Other fixed assets** ThUS$	**Works in progress** ThUS$	**Total** ThUS$
Beginning balance as of January 1, 2011	259,421	1,776,963	1,238,242	49,646	1,107,296	4,431,568
Additions	9,593	331	1,657	3,499	290,052	305,132
Divestitures	-	(4)	(2,977)	-	-	(2,981)
Transfers	3,828	74,897	(95,503)	(639)	1,501	(15,916)
Depreciation (see note 31)	-	(66,582)	(54,713)	(1,787)	-	(123,082)
Subtotal	**13,421**	**8,642**	**(151,536)**	**1,073**	**291,553**	**163,153**
Total 31.12.2011	**272,842**	**1,785,605**	**1,086,706**	**50,719**	**1,398,849**	**4,594,721**

Movements in 2010	**Land** ThUS$	**Construction and infrastructure** ThUS$	**Machinery and equipment** ThUS$	**Other fixed assets** ThUS$	**Works in progress** ThUS$	**Total** ThUS$
Beginning balance as of January 1, 2010	259,049	1,815,775	1,285,070	48,415	776,441	4,184,750
Additions	228	12,538	6,873	3,774	382,627	406,040
Divestitures	-	(2,288)	(1,031)	(28)	(31,790)	(35,137)
Transfers	144	14,208	5,157	-	(19,982)	(473)
Depreciation (see note 31)	-	(63,270)	(57,827)	(2,515)	-	(123,612)
Subtotal	**372**	**(38,812)**	**(46,828)**	**1,231**	**330,855**	**246,818**
Total 31.12.2010	**259,421**	**1,776,963**	**1,238,242**	**49,646**	**1,107,296**	**4,431,568**

c. Other disclosures

The recognizing policy for costs related to dismantling, removing and restoring of property, plant and equipment is based on the contractual obligation for each project. As such, the Company has not recorded a related provision as it does not have a legal or contractual obligation in this regard.

The Company does not own property, plant and equipment that are guarantees for the compliance of obligations.

Works in progress include: the project Central Térmica de Carbón Santa María, with a MW 342 capacity; the construction of the Transmission Line Santa María - Charrúa with a 900 MVA capacity, the Central Hidráulica Angostura with a MW316 capacity and Central Hidráulica San Pedro with a MW 150 capacity and the Central Hidráulica Angostura with a MW 316 capacity.

In relation with Santa Maria Project, it continues in the commissioning and test phase. During the second quarter of the year, the first ignition of the principal boiler took place, and completion of the ash site construction phase took place too. Also, during the third quarter the first synchronization to the SIC (Central Interconnected System) was made. The central is estimated to enter commercial operation during the first quarter of 2012.

In relation with turnkey and lump sum construction contract for the construction of the coal power station Santa Maria I, entered into on June 2007 between Colbún S.A. and a foreign consortium, on December 26, 2011 Colbún perceived a total of US$ 94.1 millions applicable to: (i) a payment made directly by the Consortium in replacement of two performance bonds; and (ii) the direct collection of two other performance bonds. At November 16, 2011, Colbún collected two other performance bonds for a total of US$8,6 million.

The aforementioned payments were required by Colbún from non-compliances by the Consortium to multiple obligations per contract, that generate penalties and restoring and compensating obligations in favor of Colbún.

The collection of these amounts will not have an effect on results, as they were applied for reducing costs and expenses in which Colbún incurred due to the aforementioned non-compliances and are capitalized in the Project.

In regard to the impacts of the February 27, 2010 earthquake, Colbún S.A. has an existing "construction and assembly all risk" insurance policy, which includes a special coverage for physical damage and damages for stoppage (ALOP or advanced loss of profit). The process of settlement is still in progress.

As of December 31, 2011 and December 31, 2010, the Company has acquisition commitments of assets of immobilized material derived from construction contracts under the EPC method for ThUS$250,979 and ThUS$72,856, respectively. The companies with whom these operations are performed are: Andritz Chile Ltda., Constructora CVV Conpax limitada, Alstom Chile S.A., Alstom Hydro España S.L., Andritz Hydro S.R.L., Alstom Hydro France S.A., Emp. Constructora Angostura Ltda., Ingenería and Construcción Tecnimont, Posco Engineering and Construction Co., Slovenke Energeticke Strojarne A.S. and Tecnimont S.P.A.

Colbún and its subsidiaries have insurance policies to cover any potential risks to which several elements of its property, plant and equipment are subject to, as well as any potential claims that could be filed in connection with their use. The Company considers that these policies are enough to cover any potential risks.

In addition, through the insurance taken by the Company, the loss of benefits which could occur as a consequence of a stoppage is covered.

Costs from accrued interests and exchange differences capitalized for the year ended December 31, 2011 and 2010 correspond to ThUSD$ 49,398 and ThUSD$ 83,266, respectively. The Company's financing average rate corresponds to 5.48% for 2011 and 6.13% for 2010.

19. Current tax assets

The income tax receivable as of December 31, 2011 and 2010 are as follows:

	31.12.2011 ThUS$	31.12.2010 ThUS$
VAT Fiscal credits	115,553	138,709
Specific diesel tax	39,962	3,534
Monthly provision payments	21,804	12,430
PPUA for withheld revenues	5,144	8,191
SENCE credits	209	167
Remaining Taxes (Art 27 bis)	-	15,364
Total	**182,672**	**178,395**

20. Other non - financial assets

Other non - financial assets as of December 31, 2011 and 2010 are as follows:

	Current		Non-current	
	31.12.2011 ThUS$	31.12.2010 ThUS$	31.12.2011 ThUS$	31.12.2010 ThUS$
Insurance in facilities and public liability	10,565	7,661	-	-
Advance payments	-	4,887	12,670	12,870
Patent water rights (1)	-	-	8,277	6,216
Other sundry assets	562	675	2,017	1,838
Total	**11,127**	**13,223**	**22,964**	**20,924**

(1) Credit per article N°129 bis 20 of the Water Code DFL N° 1122

21. Income taxes

a. Income tax results

	January - December	
	2011 ThUS$	2010 ThUS$
Current income tax expense		
Current income tax expense	(10,350)	(24,424)
PPUA for withheld revenues	2,279	-
Prior period adjustment	(489)	1,032
Current tax expense, net, total	**(8,560)**	**(23,392)**
Deferred income tax expense		
Deferred expense (income) for taxes related to the generation and reversal of temporary differences (1)	10,209	(11,654)
Other deferred tax expenses (income) (2)	(25,651)	28,776
Deferred tax expense (income), net, total	**(15,442)**	**17,122**
Income tax expense (income)	**(24,002)**	**(6,270)**

(1) Primarily includes effects such as tax loss, expense capitalized in construction in process and the recognition of results on derivatives (perceived and earned).

(2) Effect as a result of the temporary difference resulting from comparing the tax fixed assets translated into US dollar at the year-end exchange rate to financial value of property, plant and equipment.

As of December 31, 2011 and December 31, 2010 the Company does not have results or operations abroad.
The total income tax expense for period could be reconciled to financial net income, as follows:

Income tax expense	January - June	
	2011 ThUS$	**2010** ThUS$
Profit before tax	29,205	122,163
Tax expense using statutory rate (20%)	**(5,841)**	**(20,768)**
Expense (income)as a result of the 2011 and 2012 tax rate change	-	(5,689)
Other increase (decrease) in charge for statutory taxes [(1)]	1,790	(27)
Adjustments to expanses for taxes using the statutory rate, total	**1,790**	**(5,716)**
Tax expense using the effective rate	(4,051)	(26,484)
Differences between financial accounting and tax dollars in pesos effect on deferred tax [(2)]	(19,951)	20,214
Income tax expense	**(24,002)**	**(6,270)**

	31.12.2011 %	**31.12.2010** %
Statutory tax rate	20%	17%
Other increase (decrease) in statutory tax rate	-6%	5%
Adjustments to the statutory tax rate, total [(2)]	68%	-17%
Effective tax rate	**82%**	**5%**

(1) Corresponds principally to the register of income from absorption of revenues, which generates tax recovery supported by the same in prior years.

(2) In agreement with IFRS, the Company records its operations in US dollars, its functional currency, and for tax purposes it keeps accounting in local currency (Chilean pesos). Balances of assets and liabilities are translated at the end of each year in order to compare with accounting balances under IFRS in US dollars (functional currency) and thus determine deferred taxes over existing differences between both amounts. The principal accrued impact is generated in fixed assets, and at the end of this year amounts to a loss of ThUS$19,951 (ThUS$20,214 in 2010).

Tax rates used for reconciliation of 2011 and 2010 are of 20% and 17% respectively (first category tax rates).

b. Deferred taxes

The deferred tax assets and liabilities for each period are as follows:

Deferred tax assets	31.12.2011 ThUS$	31.12.2010 ThUS$
Deferred tax assets related to tax losses	5,050	8,717
Deferred tax assets related to other	1,871	1,732
Deferred tax assets related to provisions	1,657	1,529
Deferred tax assets relatied to Investment Instruments	1,119	-
Deferred tax assets	**9,698**	**11,978**

Deferred tax liabilities	31.12.2011 ThUS$	31.12.2010 ThUS$
Deferred tax liabilities related to depreciation	443,004	424,283
Deferred tax liabilities related to other	7,160	10,360
Deferred tax liabilities related to obligations for retirement benefits	1,294	3,654
Deferred tax liabilities	**451,458**	**438,297**

The assets and liabilities for deferred taxes can only be offset if the right to offset assets and liabilities for deferred taxes has been legally recognized.

At December 31, 2011, the subsidiaries Hidroeléctrica Melocotón Ltda., Termoeléctrica Antilhue S.A., Empresa Eléctrica Industrial S.A., Termoeléctrica Nehuenco S.A., and Obras y desarrollo S.A. record tax losses for a total of MUS$29,705.

According to IAS 12, deferred tax assets are recognized as tax losses, when Management has determined that the existence of future taxable income is probable, over which these losses will be utilized.

Also, the Company Hidroeléctrica Aconcagua S.A. and Rio Tranquilo S.A., recorded an income tax provision of thUS$10,350.-

22. Other financial liabilities

For the periods ending on December 31, 2011 and 2010, the detail of interest bearing loans is as follows:

a. Liabilities with financial institutions

Other financial liabilities	Current		Non-Current	
	31.12.2011 ThUS$	31.12.2010 ThUS$	31.12.2011 ThUS$	31.12.2010 ThUS$
Loans with financial entities (1)	25,200	17,490	197,727	226,039
Bonds payable (bonds, shares) (1)	87,101	57,666	1,115,521	1,219,858
Documents payable (2)	37,013	-	-	-
Hedge Derivatives (3)	1,714	16,787	23,597	16,845
Derivatives at fair value through profit or loss	1,979	4,363	3,764	9,814
Total	**153,007**	**96,306**	**1,340,609**	**1,472,556**

(1) Interest earned on loans to financial institutions and obligations to the public have been determined at effective rate.

(2) Corresponds to confirming operations with Banco Estado.

(3) See details in note 13.1

b. Maturity and currency of the obligations with financial entities:

The details of bank loans, which are at face value, are as follows:

As of December 31, 2011

Bonds payables (Bonos Share)

Debtor			Creditor				Interest Rate					Maturity					
RUT	Company	Country	RUT	Name	Country	Currency	type	Base	Nominal Rate	Effective Tax Rate	Type of Amortization	Up to 3 months ThUS$	3 to 12 months ThUS$	1 to 3 years ThUS$	3 to 5 years ThUS$	More than 5 years ThUS$	Total ThUS$
96505760-9	Colbún S.A.	Chile	-	Bono Serie C 234	Chile	UF	Fixed	Fixed	7,00%	7,95%	Semiannual	-	6.893	12.189	17.030	36.490	72.602
96505760-9	Colbún S.A.	Chile	-	Bono Serie E 500	Chile	UF	Fixed	Fixed	3,20%	4,09%	Semiannual	-	64.908	29.220	-	-	94.128
96505760-9	Colbún S.A.	Chile	-	Bono Serie F 499	Chile	UF	Fixed	Fixed	3,40%	4,46%	Semiannual	-	1.424	24.967	33.289	191.412	251.092
96505760-9	Colbún S.A.	Chile	-	Bono Serie G 537	Chile	UF	Fixed	Fixed	3,80%	4,17%	Bullet	-	180	83.223	-	-	83.403
96505760-9	Colbún S.A.	Chile	-	Bono Serie H 537	Chile	USD	Variable	Libor 6M	2,50%	3,34%	Bullet	-	128	-	-	78.305	78.433
96505760-9	Colbún S.A.	Chile	-	Bono Serie I 538	Chile	UF	Fixed	Fixed	4,50%	5,02%	Semiannual	-	318	-	-	124.834	125.152
96505760-9	Colbún S.A.	Chile	-	Bono 144/RegS (1)	EE.UU.	USD	Fixed	Fixed	6,00%	6,26%	Bullet	13.250	-	-	-	484.562	497.812
											Total	**13.250**	**73.851**	**149.599**	**50.319**	**915.603**	**1.202.622**

(1) See cash flow, financing activities

As of December 31, 2010

Loans with Financial Entities

Debtor			Creditor				Interest Rate					Maturity					
RUT	Company	Country	RUT	Name	Country	Currency	type	Base	Nominal	Effective	Type of Amortization	Up to 3 months ThUS$	3 to 12 months ThUS$	1 to 3 years ThUS$	3 to 5 years ThUS$	More than 5 years ThUS$	Total ThUS$
96505760-9	Colbún S.A.	Chile	0-E	BBVA Bancomer	México	USD	Variable	Libor 6M	2,14%	2,93%	Bullet	-	1.283	-	145.278	-	146.561
96505760-9	Colbún S.A.	Chile	97023000-9	Corpbanca	Chile	CLP	Variable	TAB 6M	4,23%	4,83%	Annual	16.207	-	80.761	-	-	96.968
											Total	**16.207**	**1.283**	**80.761**	**145.278**	**-**	**243.529**

Bonds payables (Bonos Share)

Debtor			Creditor				Interest Rate					Maturity					
RUT	Company	Country	RUT	Name	Country	Currency	type	Base	Nominal	Effective	Type of Amortization	Up to 3 months ThUS$	3 to 12 months ThUS$	1 to 3 years ThUS$	3 to 5 years ThUS$	More than 5 years ThUS$	Total ThUS$
96505760-9	Colbún S.A.	Chile		Bono serie C 234	Chile	UF	Fixed	Fixed	7,00%	7,95%	Semiannual	-	7.146	19.080	22.127	35.094	83.447
96505760-9	Colbún S.A.	Chile		Bono serie E 500	Chile	UF	Fixed	Fixed	3,20%	4,09%	Semiannual	-	35.104	97.699	-	-	132.803
96505760-9	Colbún S.A.	Chile		Bono serie F 499	Chile	UF	Fixed	Fixed	3,40%	4,46%	Semiannual	-	1.520	26.053	52.106	182.372	262.051
96505760-9	Colbún S.A.	Chile		Bono serie G 537	Chile	UF	Fixed	Fixed	3,80%	4,17%	Bullet	-	192	86.848	-	-	87.040
96505760-9	Colbún S.A.	Chile		Bono serie H 537	Chile	USD	Variable	Libor 6M + 2.1%	2,85%	3,34%	Bullet	-	114	-	-	76.524	76.638
96505760-9	Colbún S.A.	Chile		Bono serie I 538	Chile	UF	Fixed	Fixed	4,50%	5,02%	Semiannual	-	340	-	-	130.272	130.612
96505760-9	Colbún S.A.	Chile		Bono 144/RegS	EE.UU.	USD	Fixed	Fixed	6,00%	6,26%	Bullet	13.250	-	-	-	491.683	504.933
											Total	**13.250**	**44.416**	**229.680**	**74.233**	**915.945**	**1.277.524**

(1) See cash flow, financing activities

b.1 Projected interest by currency of liabilities to financial institutions:

Liabilities	Currency	Interest 31.12.2011		Capital	Maturity Date	Maturity					Total interest	Total
		Accured	To be accured			Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years		
Crédito BBVA Bancomer (1)	USD	1.165.668	10.669.100	150.000.000	10-08-2015	1.489.465	1.473.275	5.925.479	2.946.550	-	11.834.768	161.834.768
Crédito Corpbanca (1)	CLP	1.228.175.625	3.176.081.250	38.250.000.000	24-01-2014	1.413.560.625	992.355.000	1.998.341.250	-	-	4.404.256.875	42.654.256.875
Bono Serie C	UFR	24.588	643.295	1.715.071	15-04-2021	-	115.714	202.530	160.678	188.961	667.883	2.382.954
Bono Serie E	UFR	11.707	59.727	2.250.000	01-05-2013	-	59.528	11.906	-	-	71.434	2.321.434
Bono Serie F	UFR	33.154	1.838.084	6.000.000	01-05-2028	-	202.296	394.477	343.903	930.562	1.871.238	7.871.238
Bono Serie G	UFR	4.183	146.401	2.000.000	10-12-2013	-	75.292	75.292	-	-	150.584	2.150.584
Bono Serie H (1)	USD	128.472	14.902.752	80.800.000	10-06-2018	-	2.312.496	4.624.992	4.624.992	3.468.744	15.031.224	95.831.224
Bono Serie I	UFR	7.417	1.628.105	3.000.000	10-06-2029	-	133.512	267.024	267.024	967.963	1.635.523	4.635.523
Bono 144A/RegS	USD	13.250.000	241.750.000	500.000.000	21-01-2020	15.000.000	15.000.000	60.000.000	60.000.000	105.000.000	255.000.000	755.000.000

(1) Variable-rate liabilities consider current setting as of 12.31.2011 for the calculation of projected interest.

Liabilities	Currency	Interest 31.12.2010		Capital	Maturity Date	Maturity					Total interest	Total
		Accured	To be accured			Up to 3 months	3 to 12 months	1 to 3 years	3 to 5 years	More than 5 years		
Crédito BBVA Bancomer (1)	USD	1.283.364	14.999.317	150.000.000	10-08-2015	1.639.854	1.613.117	6.514.855	6.514.855	0	16.282.681	166.282.681
Crédito Corpbanca (1)	CLP	835.425.000	3.507.463.125	45.000.000.000	24-01-2014	962.325.000	817.976.250	2.270.716.875	291.870.000	0	4.342.888.125	49.342.888.125
Bono Serie C	UFR	26.444	766.170	1.844.478	15-04-2021	0	124.731	221.956	182.121	263.807	792.615	2.637.092
Bono Serie E	UFR	15.609	151.068	3.000.000	01-05-2013	0	95.244	71.434	0	0	166.678	3.166.678
Bono Serie F	UFR	33.154	2.040.380	6.000.000	01-05-2028	0	202.296	404.592	370.876	1.095.770	2.073.534	8.073.534
Bono Serie G	UFR	4.183	221.693	2.000.000	10-12-2013	0	75.292	150.584	0	0	225.876	2.225.876
Bono Serie H (1)	USD	114.846	15.381.786	80.800.000	10-06-2018	0	2.066.218	4.132.435	4.132.435	5.165.544	15.496.632	96.296.632
Bono Serie I	UFR	7.417	1.761.617	3.000.000	10-06-2029	0	133.512	267.024	267.024	1.101.475	1.769.035	4.769.035
Bono 144A/RegS	USD	13.250.000	271.750.000	500.000.000	21-01-2020	15.000.000	15.000.000	60.000.000	60.000.000	135.000.000	285.000.000	785.000.000

(1) Variable-rate liabilities consider current setting as of 12.31.2010 for the calculation of projected interest.

c. Financial debt by currency

The value of Colbúns' financial debt considering the effect of derivatives instruments, is as follows:

Financial debt per currency	31.12.2011 ThUS$	31.12.2010 ThUS$
US dollar	1,149,392	1,091,490
Unidades de Fomento	344,224	477,372
Total	1,493,616	1,568,862

d. Committed and uncommitted credit lines are as follows:

The Company has a committed credit line with local financial entities for UF 5 millions, which can be used until 2013, with subsequent maturity in 2016.

In addition, Colbún has uncommitted credit lines for approximately US$150 millions.

Other lines:

The Company has a credit line of UF 2.5 million for the issuance of securities, recorded with the Superintendence of Securities and Insurances during July 2008, with an expiration date of 10 years.

Furthermore, the Company register with the Superintendence of Securities and Insurances, two lines of bonds for a total of up to UF 7 million, effective for ten and thirty years, respectively, for which no placements have been performed up to date.

23. Trade payables and other accounts payable

The payable trades and other payable accounts as of December 31, 2011 and 2010, respectively, are as follows:

	Current	
	31.12.2011 ThUS$	31.12.2010 ThUS$
Trade creditors	125,875	143,527
Other accounts payable	632	1,733
Total	**126,507**	**145,260**

The average time period for the payment to suppliers is 30 days in 2011 and therefore the fair value of accounts payable is not significantly different from its accounting value.

24. Provisions

a. Classes of Provisions

The breakdown of provisions as of December 31, 2011 and 2010, is as follows:

Provisions	Current		Non-Current	
	31.12.2011 ThUS$	31.12.2010 ThUS$	31.12.2011 ThUS$	31.12.2010 ThUS$
Other provisions				
Provisions for price differences	2,000	2,000	-	-
Other provisions, current	838	2,606	-	-
Total	**2,838**	**4,606**	**-**	**-**
Provisions for employee benefits				
Provision for legal holidays and vacation bonus (note 24.f)	9,938	8,164	-	-
Provision for IPAS reserve (note 24.g)	-	-	14,815	14,128
Total	**9,938**	**8,164**	**14,815**	**14,128**
Total provisions	**12,776**	**12,770**	**14,815**	**14,128**

b. The movement of provisions as of December 31, 2011 and 2010 is as follows:

Fluctuation in provisions as of 2011	Legal holidays and vacation bonus ThUS$	Gas provisions ThUS$	Trial SEC provisions ThUS$	Other provisions ThUS$	Total ThUS$
Beginning balance as of 01.01.2011	8,164	2,000	-	2,606	12,770
Increase (decrease) in existing provisions	8,051	-	838	-	8,889
Use of provision	(6,277)	-	-	(2,606)	(8,883)
Final balance 31.12.2011	**9,938**	**2,000**	**838**	**-**	**12,776**

Fluctuation in provisions as of 2010	Legal holidays and vacation bonus ThUS$	Gas provisions ThUS$	Trial SEC provisions ThUS$	Other provisions ThUS$	Total ThUS$
Beginning balance as of 01.01.2010	8,066	2,360	1,308	336	12,070
Increase (decrease) in existing provisions	5,975	(360)	-	2,270	7,885
Use of provision	(5,877)	-	(1,308)	-	(7,185)
Final balance 31.12.2010	**8,164**	**2,000**	**-**	**2,606**	**12,770**

c. Environmental restoring

The Company has not established provisions for this concept.

d. Restructuring

The Company has not established provisions for this concept.

e. Litigation

At December 31, 2011 and 2010, the Company registers provisions for litigations in agreement with IAS 37 (see note 35).

f. Employees bonuses

The Company recognizes benefits and bonus profit sharing provisions for its employees, such as vacation provision and production incentives.

Employees bonuses	31.12.2011 ThUS$	31.12.2010 ThUS$
Performance incentive, current	7,127	4,738
Vacation provision, current	2,811	3,426
Total	**9,938**	**8,164**

g. Long - term provisions and other liabilities

The Company and some subsidiaries have an allowance for severance payments that will be paid to its personnel, in conformity with the collective agreements signed with employees. This allowance represents the total of the accrued provisions (see note 3.1.m).

The main concepts included in the benefits provision of personnel as of December 31, 2011 and December 31, 2010 is as follows:

Provision for personnel benefits	31.12.2011 ThUS$	31.12.2010 ThUS$
Severance payments	14,815	14,128
Total	**14,815**	**14,128**

	31.12.2011 ThUS$	31.12.2010 ThUS$
Present value of obligations of defined benefit plan	14,128	11,558
Cost of service current obligation of defined benefits	3,657	2,432
Foreign currency translation difference	(1,480)	1,059
Payments	(1,490)	(921)
Present value of obligations of defined benefit plan	**14,815**	**14,128**

The provision for personnel benefits is determined according to an actuarial calculation with a discount rate of 5.5%.

The principal assumptions used for the actuarial calculation are the following:

Actuarial bases	31.12.2011	31.12.2010
Discount rate	5.50%	5.50%
Expected rate of salary increases	2.00%	2.00%
Turnover rate	0.50%	0.50%
Turnover rate - termination due to Company needs	1.50%	1.50%
Retirement age:		
Male	65	65
Female	60	60
Mortality chart	RV-2004	RV-2004

25. Other non - financial liabilities

Other liabilities as of December 31, 2011 and 2010 are as follows:

	Current		Non-Current	
	31.12.2011 ThUS$	31.12.2010 ThUS$	31.12.2011 ThUS$	31.12.2010 ThUS$
Withholdings	3,355	3,187	-	-
Minimum legal dividend	-	18,825	-	-
Unearned income (1)	720	862	8,429	8,575
Other liabilities	112	56	-	-
Total	**4,187**	**22,930**	**8,429**	**8,575**

(1) Corresponds to advances received related to operating and maintenance services. Revenue is recognized when services are performed.

26. Other accounts payable

The detail as of December 31, 2011 and December 31, 2010, is as follows:

	Non-Current	
	31.12.2011 ThUS$	31.12.2010 ThUS$
Other accounts payable	3,000	3,000
Total	**3,000**	**3,000**

27. Equity

a. Subscribed and paid-in capital and number of shares - At the general shareholders' meeting of Colbún, held on April 29, 2009, the change of currency in which paid-in capital is stated as of December 31, 2008 was agreed upon. The United States dollar will be utilized and divided in the same number of shares, using the closing exchange rate of December 31, 2008.

At December 31, 2011, subscribed and paid in capital is and number of shares is as follows

Number of share

Serie	Number of subscribed shares	Number of paid shares	Number of voting shares
Single	17.536.167.720	17.536.167.720	17.536.167.720

Capital (Amount USD)

Serie	Subscribed capital ThUS$	Paid- in capital ThUS$
Single	1.282.793	1.282.793

b. Paid-in capital - Paid-in capital corresponds to the paid-in capital discussed in section a).

c. Share premium - As of December 31, 2011, the item share premiums amounts to ThUS$52,595 and it was originated for an amount ThUS$30,700, related to the share premium obtained during the subscription period of the share issuance approved at the extraordinary shareholders' meeting held on March 14, 2008, plus the share premium of ThUS$21,895 resulting from capital increases prior to 2008.

d. Dividend – According to the general dividend distribution policy and procedure agreed by the Shareholder Meeting of April 26, 2011 that approved the distribution of a minimum dividend of 30% of liquid net income. In accordance with IFRS stipulations, there is a real and assumed obligation that requires recording a liability at each year end.

At December 31, 2011, the Company did not determine provision for dividends for not presenting net income to be distributed, while at December 31, 2010 the Company provisioned minimum dividend established for ThUS$37,088 which is presented deducting accrued gains and losses.

The Ordinary Shareholders Meeting held on 26 April 2011 agreed to distribute a minimum required final dividend, with charge to profit for the year ended December 31, 2010, payable in cash for a total of ThUS$19,117, which corresponds to US$ 0.00109 per share.

The Ordinary Shareholders Meeting held on 23 April 2010 agreed to distribute a minimum required final dividend, with charge to profit for the year ended December 31, 2009, payable in cash for a total of ThUS$45,970, which corresponds to US$ 0.00262147 per share. The dividend was paid as of May 05, 2010.

In the meeting held on 30 November 2010, the Colbún S.A. Board of Directors agreed to distribute an interim dividend, with charge to profit for the year ended December 31, 2010, payable in cash for a total of ThUS$17,972, which corresponds to US$0.00102 (Ch$0.5) per share. The dividend was paid on January 05, 2011.

e. Composition of Other Reserves - The following is a breakdown of other reserves in each period:

Other reserves	31.12.2011 ThUS$	31.12.2010 ThUS$
Paid-in capital deflation effect, SVS Circular Nº 456	517.617	517.617
IAS 21 conversion effect	(230.797)	(230.797)
Conversion effect associates	(26.088)	(15.341)
Hedging reserves	(26.063)	(17.530)
Subtotal	**234.669**	**253.949**
Hidroélectrica Cenelca S.A. merger reserve	500.761	500.761
Acquisition of 15% of Hidroélectrica Aconcagua S.A. reserve	(12.804)	(12.804)
Subtotal	**487.957**	**487.957**
Total	**722.626**	**741.906**

f. Retained earnings (accumulated losses) - The movements of the retained earning reserve were as follows:

Distributable retained earnings	31.12.2011 ThUS$	31.12.2010 ThUS$
Opening balance	968,369	920,971
Error correction [1]	-	(26,583)
Opening balance re expressed	**968,369**	**894,388**
Profit for the year	5,201	112,284
Effect of IFRS first application adjustments	8,941	(1,215)
Interim dividends	-	(37,088)
Total distributable retained earnings	**982,511**	**968,369**

Non-distributable IFRS first application adjustments	31.12.2011 ThUS$	31.12.2010 ThUS$
Revaluation of property, plant and equipment	513,196	524,355
Deferred tax at historical cost	(87,244)	(89,141)
Personnel compensation actuarial value	(5,157)	(5,544)
Personnel compensation deferred tax	876	942
Total non-distributable retained earnings	**421,671**	**430,612**
Total retained earnings	**1,404,182**	**1,398,981**

(1) In 2011 the calculation of the Company's income tax was reviewed and it was necessary to reprocess the tax fixed asset module. This reprocessing resulted in effects on the calculation of the income tax and deferred tax provision in 2009 and 2010 as follows:

In 2009 there was a higher income tax provision for ThUS$6,061 and a higher deferred tax liability for ThUS$20,522.

In 2010 there was a higher income tax provision for ThUS$10,910, which was virtually fully compensated with a lower deferred tax liability.

In accordance with IAS 8, the balances of the income tax and deferred tax provision have been changed in these financial statements in 2009 and 2010 with an effect on retained earnings in those years. This resulted in a restatement of the balances of those items previously reported.

The following table shows the details of the adjustments to IFRS first adoption as required by Circular Nº 1,945 of the Superintendence of Securities and Insurance (Superintendencia de Valores y Seguros) of Chile, to present the first application adjustments to IFRS recorded with a credit to retained earnings and its related realizations for the period 2011.

The quantification of the amounts incurred and the amounts pending of being incurred at the December 31, 2010 and December 31, 2010.

Concepts	First time adoption IFRS adjustments at 01.01.2008	2011		2010	
		Amount on profit (loss) in the year	Remaining balance	Amount on profit (loss) in the year	Remaining balance
	ThUS$	ThUS$	ThUS$	ThUS$	ThUS$
Property, plant and equipment revaluation	535,466	(11,159)	513,196	(11,111)	524,355
Deferred Tax Historical cost	(91,030)	1,897	(87,244)	1,889	(89,141)
Adjustments amortization of intangibles other than goodwill	(13,010)	-	-	13,010	-
Deferred tax on adjustments amostization of intangibles other than goodwill	2,212	-	-	(2,212)	-
Employee benefits actuarial valuation	(5,931)	387	(5,157)	387	(5,544)
Deferred tax on employee benefits actuarial valuation	1,008	(66)	876	(66)	942
Fair value of derivatives	682	-	-	(682)	-
Total	**429,397**	**(8,941)**	**421,671**	**1,215**	**430,612**

g. Capital administration

Colbún administrates its capital in order to assure the access to financial markets in a competitive way, to count sufficient resources, to achieve its objectives in the medium and long term, to maintain a solid financial position and to optimize the return of the shareholders of the Company.

h. Restrictions to the availability of funds of the subsidiaries

There are no restrictions on the availability of funds of Colbún subsidiaries.

i. Earnings per share and distributable net income

Earnings per share were obtained by dividing net income for the year attributed to the shareholders of the controlling company by the weighted average of ordinary shares in circulation during the periods.

	31.12.2011	31.12.2010
Gain (Loss) Attributable to holders of equity instruments of share in Equity of the Parent (ThUS$)	5,201	112,284
Results Available to Common Shareholders, Basic (ThUS$)	5,201	112,284
Weighted Average Shares Outstanding, Basic (Nº Shares)	17,536,167,720	17,536,167,720
Earnings (Losses) Basic per Share	**0.00030**	**0.00640**

The Company has not carried out any transaction with potential diluting effect that assumes diluted earnings per share other than the basic earnings per share during the reporting period.

As mentioned in letter d. at December 31, 2011, the Company does not record Distributable net income.

Calculation of distributable net income	31.12.2011 ThUS$	31.12.2010 ThUS$
Net income	5.201	112.284
Effect of unrealized derivative instrument	(7.924)	11.345
Distributable net income	**Not Applicable**	**123.629**

Change in fair value of Assets and Liability unrealized	31.12.2011 ThUS$	31.12.2010 ThUS$
Fair Value of Derivative Liabilities with effect on income - Beginning Period	11.345	-
Fair Value of Derivative Liabilities with effect on income - Year End	(5.744)	(11.345)
Income (Loss) on change in fair value of derivatives	**5.601**	**(11.345)**
Loss during the period (cash flow) **-** (a)	(8.964)	(7.224)
Other Effects	2.323	-
Impact on Financial Result (see note 34) - (b)	**(1.040)**	**(18.569)**
Income (Loss) at end of Period - (c)	**(7.924)**	**11.345**

(C) It corresponds to the difference between the loss for the year (a) and the effect on the financial result (b).

Under the provisions of Circular Nº 1,945 of September 29, 2009, Colbún S. A. agreed to establish as general policy that the distributable net income to be considered for the calculation of the Mandatory

Minimum and Additional Dividend is determined based on actual incurring, purging it of those relevant variations of the fair value of assets and liabilities that are not incurred, which must be re-introduced to the calculation of net income for the year in which such changes are made. Accordingly, the additions and deductions to be made to the distributable net income for changes in fair value of assets or liabilities that are not incurred and which have been recognized in the "gain (loss) attributable to equity holders of equity interest of the controller and minority interest" in year 2010 are the possible effects caused by changes in the fair value of derivative instruments that the Company holds at the end of each period, net of related income tax.

28. Ordinary income

The ordinary income as of December 31, 2011 and 2010 respectively, is as follows:

	January - December	
	2011 ThUS$	**2010** ThUS$
Sales distribution customers	675,924	435,225
Sales industrial customers	454,325	403,954
Tolls	139,115	88,244
Sales to other generators	41,708	88,310
Other sales	21,704	8,510
Total	**1,332,776**	**1,024,243**

29. Consumption of raw material and consumables used

The consumption of raw material and secondary material as of December 31, 2011 and 2010, respectively, are presented en the following detail:

	January - December	
	2011 ThUS$	**2010** ThUS$
Diesel consumption (see note 12)	(357,262)	(336,560)
Gas consumption (see note 12)	(303,563)	(127,862)
Purchase of energy and power	(229,425)	(35,293)
Tolls	(110,169)	(78,783)
Third party works and supplies	(60,962)	(54,957)
Total	**(1,061,381)**	**(633,455)**

30. Employee expenses

The personnel expenses as of December 31, 2011 and 2010, respectively, are presented as follows (see note 3.1.m and 3.1.r.):

	January - December	
	2011 ThUS$	**2010** ThUS$
Wages and salaries	(34,544)	(27,804)
Short-term benefits to employees	(4,061)	(3,383)
Severance payments	(2,881)	(3,015)
Other personnel expenses	(4,246)	(3,424)
Total	**(45,732)**	**(37,626)**

31. Depreciation and amortization

The depreciation and amortization as of December 31, 2011 and 2010, respectively is as follows:

	January - December	
	2011 ThUS$	2010 ThUS$
Depreciation (see note 18.b)	(123,082)	(123,612)
Amortization of intangibles (see note 17.b)	(1,561)	(427)
Total	**(124,643)**	**(124,039)**

32. Financial income/(loss)

The financial result as of December 31, 2011 and 2010, respectively, is as follows:

Financial income

Income (loss) From Investments	January - December	
	2011 ThUS$	2010 ThUS$
Income from cash and cash equivalents	8.893	12.912
Total financial income	**8.893**	**12.912**

Financial costs	January - December	
	2011 ThUS$	2010 ThUS$
Expense for bonuses	(60.392)	(59.447)
Expense for financial provision	(14.291)	(17.866)
Expense/income due to valuation of financial derivatives, net	(9.683)	(10.144)
Expense for bank loans	(7.425)	(9.343)
Expense from other (bank expenses)	(184)	(66)
Capitalized financial expenses	64.257	47.731
Total financial expense	**(27.718)**	**(49.135)**
Income for adjustment units	**(14.228)**	**17.694**
Foreign currency exchange rate difference	**6.832**	**3.960**
Total financial income	**(26.221)**	**(14.569)**

33. Income (loss) for investment accounted for under the equity method of accounting

The income for investment accounted for under the equity method of accounting as of December 31, 2011 and 2010 respectively, is presented in the following detail:

	January - December	
	2011 ThUS$	2010 ThUS$
Participation in revenues from affiliated companies (see note 16)	4,272	509
Total	**4,272**	**509**

34. Other income/(losses) - net

The other net income/ (losses) as of December 31, 2011 and 2010, respectively is as follows:

Other non-operating income	January - December	
	2011 ThUS$	2010 ThUS$
Indemnity received	2,030	4,377
Forward contracts results	-	570
Other income	1,886	391
Total Other income	**3,916**	**5,338**

Other non-operating expenses	January - December	
	2011 ThUS$	2010 ThUS$
Output cost of gas transportation contract [1]	(21.301)	(42.181)
Penalties and Fines	(1.655)	-
Loss from derivative contracts (see note 27.i)	(1.040)	(18.569)
Legal fees	(939)	(4.243)
Low assets, property, plant and equipment	(915)	(6.099)
Other expense	(6.981)	(5.025)
Total Other expenses	**(32.831)**	**(76.117)**
Total other earnings (losses)	**(28.915)**	**(70.779)**

(1) It corresponds to payments made from gas suppliers contracts terminated in advance.

35. Guarantees with third parties, contingent assets and liabilities

a.1 Direct guarantees

Creditor of the guarantee	Debtor		Committed assets			Pending balances at 31.12.2011		Redemption of guarantees	
	Name	Relationship	Guarantee	Currency	Book value ThUS$	Currency	2011	2012	2099
Director Regional de Vialidad Región del Bío Bío	Colbún S.A.Matriz	Creditor	Performance bond	CLP	1,500,000	MUSD	2,889	2,889	-
Director Regional de Vialidad Región del Bío Bío	Colbún S.A.Matriz	Creditor	Performance bond	UF	300	MUSD	13	13	-
Ministerio Obras Públicas	Colbún S.A.Matriz	Creditor	Performance bond	UF	325,447	MUSD	13,974	13,974	-
Subsecretaria del Ministerio de Energía	Colbún S.A.Matriz	Creditor	Performance bond	UF	400	MUSD	17	17	-
Endesa [1]	Colbún S.A.Matriz	Creditor	Performance bond	UF	100	MUSD	4	-	100
Transelec S.A. [1]	Colbún S.A.Matriz	Creditor	Performance bond	UF	200	MUSD	9	-	9
Cementos Bío Bío del Sur S.A.	Colbún S.A.Matriz	Acreedor	Performance bond	UF	15,525	MUSD	667	-	-
Chilectra S.A. [1]	Colbún S.A.Matriz	Creditor	Performance bond	UF	200	MUSD	9	-	9

(1) Guarantees with undefined release date.

a.2 Letter of Credits pending

Supplier	Debtor	Bank	Committed assets			Pending balances at 31.12.2011 MUS$	Redemption of guarantees
			Guarantee	Currency	Book value ThUS$		
Beijing Power Equipment Group	Colbún S.A.	Scotiabank	Letter of Credit	USD	1,676	1,676	12-04-2012
Sepsi	Colbún S.A.	Scotiabank	Letter of Credit	USD	221	221	12-02-2012

b. Guarantees from third parties as of December 31, 2011.

Current guarantees in Chilean pesos

Deposited by	Relationship	Total ThUS$
Vag Valves Chile S.A.	Supplier	184
Universidad de Concepción	Supplier	100
Centro de Ecología Aplicada Ltda.	Supplier	72
Ponce Pinto Daniel Mauricio	Supplier	64
G4S Security Services Regiones S.A.	Supplier	50
Andritz Chile Ltda.	Supplier	38
Enter Computación Ltda.	Supplier	33
Servicios y Proyectos Ambientales	Supplier	29
Sociedad Anclajes Chile Ltda.	Supplier	25
Mantex S.A.	Supplier	20
Quezada Vasquez Ranulfo	Supplier	18
Iberna Industrial y Comercial Ltda.	Supplier	16
Poch Ambiental S.A.	Supplier	15
Aga S.A.	Supplier	11
Pozos Profundos S.A.	Supplier	11
Besalco Construcciones S.A..	Supplier	10
Eulen Seguridad S.A.	Supplier	10
Imelsa S.A.	Supplier	9
Ghisolfo Ingeniería de Consulta S.A.	Supplier	8
R & Q Ingeniería S.A.	Supplier	8
Asesorias Energéticas Conelse Ltda.	Supplier	7
Glg Construcciones Ltda.	Supplier	6
Soc. Comercial Conyser Ltda.	Supplier	6
Mantención de Jardines Arcoiris Ltda,	Supplier	5
Ortiz Soto Juan Angel	Supplier	5
Soc. Milival Ingen Industrial Ltda.	Supplier	5
Sociedad OGM Mecánica Integral S.A.	Supplier	5
Soc. de Servicios Forestales, Ingeniería, Consultoria	Supplier	5
Indra Sistemas Chile S.A.	Supplier	3
Hydro Quality Tratamiento de Aguas Ltda.	Supplier	2
Empresa de Montajes Industriales Salfa S.A.	Supplier	2
Pavez Ivan	Supplier	2
Soc. Trans Redes Servicio Eléctrico	Supplier	2
Vargas Angulo Jaime	Supplier	2
	Total	**788**

Guarantees in Euros

Deposited by	Relationship	Total ThUS$
Alstom Hydro France S.A.	Supplier	29,294
Andritz Hydro Gmbh-Andritz Chile Ltda.	Supplier	3,838
Areva T&D Chile S.A.	Supplier	287
Andritz Hydro S.R.L. Unipersonale	Supplier	227
Flowserve Chile S.A.	Supplier	185
Howden Denmark A/S	Supplier	117
S.T.E. Energy S.P.A.	Supplier	84
Indra Sistemas Chile S.A.	Supplier	23
Gallmax S.A.	Supplier	9
ABB S.A.	Supplier	6
Egic Sas	Supplier	1
	Total	**34,071**

Guarantees in Unidades de Fomento

¡Error! Vínculo no válido.

Deposited by	Relationship	Total ThUS$
Siemens S.A.	Supplier	83
Puente Alto Ingeniería y Servicios Ltda	Supplier	67
Constructora Gardilic Ltda.	Supplier	64
EMIN Ingeniería y Construcción S.A.	Supplier	64
Ingeniería Agrosonda Ltda.	Supplier	64
Ingeniería y Construcciones Incolur S.A.	Supplier	64
Luis Merino Ingeniería de Rocas Ltda.	Supplier	59
Empresa Constructora Moller y Pérez Cotapos Ltda.	Supplier	56
Oma Topografía y Construcciones Ltda.	Supplier	44
B. Bosh S.A.	Supplier	43
Constructora del Valle Ltda.	Supplier	34
Ima Industrial Ltda.	Supplier	30
Soc. Transredes Servicios Eléctricos	Supplier	29
Pares y Alvarez Ingenieros Asociados Ltda.	Supplier	24
Knight Piesold Sa.A.	Supplier	23
C. de A Ingeniería Ltda.	Supplier	21
Energía del Sur Ltda.	Supplier	21
Ingeniería de Combustión Bosca Chile S.A.	Supplier	21
Sociedad Ecal Sur Ltda.	Supplier	21
Muñoz Y Henríquez Ltda.	Supplier	20
ABB S.A.	Supplier	16
CMF Sondajes Ltda.	Supplier	16
Rubiera Sanhueza José Rolando	Supplier	14
Soc. Com. L .O. Servifor Ltda.	Supplier	13
Imelsa S.A.	Supplier	13
Aseos Industriales de Talca Ltda.	Supplier	13
G.H.D S.A.	Supplier	12
Universidad de Concepción	Supplier	10
Granite Services Int. Inc. Ag. En Chile	Supplier	6
Ingeniería, Mantención y Servicios Imasel Limitada	Supplier	6
Int. Menchaca Amadori Industrial Ltda.	Supplier	6
Soc. de Serv. Ind. de Mantención y Comercialización Ltda.	Supplier	6
Normando Arturo Villa Cerda	Supplier	6
Jose Castro Rodríguez	Supplier	5
Rodríguez Veloz Jaime Alejandro	Supplier	4
Asesorias Julio Rolando Pimentel Guerra	Supplier	3
Aguas Industriales Ltda.	Supplier	2
Nalco Industrial Services Chile Ltda.	Supplier	2
Sk Ekología S.A.	Supplier	2
Instrumentación Menchaca Amadori Industrial Ltda.	Supplier	2

Guarantees in Dollars

Deposited by	Relationship	Total ThUS$
Posco Engineering and Construction Co.	Supplier	10,000
Tecnimont S.P.A.	Supplier	4,548
Alstom Hydro France S.A.	Supplier	4,407
Andritz Hydro Gmbh-Andritz Chile Ltda.	Supplier	2,537
Alstom Hydro España S.A.	Supplier	2,270
Alstom Hydro España S.L.	Supplier	2,270
Ingenieria y Construccion Tecnimont Chile y Cia.Ltda.	Supplier	1,330
Abb S.A.	Supplier	805
Slovenske Energeticke Strojarne A.S.	Supplier	643
Cobra Chile Servicios S.A.	Supplier	458
Hyosung Corporation	Supplier	331
Empresa de Montajes Industriales Salfa S.A.	Supplier	291
Bicentenario S.A.	Supplier	224
I.D.E. Tecnologies Ltd.	Supplier	193
Ingetec S.A.	Supplier	186
Siemens Ltda.	Supplier	113
Tecnimont Do Brasil Construcoao E Adminstracao De Projectos	Supplier	105
Invensys Systems Chile Ltda.	Supplier	81
Alstom Grid Chile S.A.	Supplier	65
Magaldi Power S.P.A.	Supplier	58
Ima Industrial Ltda.	Supplier	43
Hacker Industrial Ltda.	Supplier	20
Zeco Di Zerbaro E Costa Ec S.R.L.	Supplier	20
Gallmax S.A.	Supplier	17
Nicolaides S.A.	Supplier	11
Instrumentación Menchaca Amadori Ltda.	Supplier	5
Tecnet Chile S.A.	Supplier	5
Instrumentación Menchaca Amadori Industrial Ltda.	Supplier	4
Bvqi Chile S.A.	Supplier	3
Baterias Tubular S.A.	Supplier	3
Siemens S.A.	Supplier	1

c. Detail of litigation and others

The Management of Colbún considers, given the information managed in this moment, that provisions registered in the attached consolidated statement of situation properly cover litigation risks and other operations described in this note. Consequently, it does not expect liabilities derived from the same, additional to the ones recorded.

Given the characteristics of risks that cover these provisions, it is not possible to determine a reasonable calendar of payment dates if any.

Following, in agreement with IAS 37, a detail of litigations at December 31, 2011:

a. Litigations related with Angostura Hydroelectric Power Station, including the following:

1) Public law annulment filed by Maderas Condor S.A. against the Dirección General de Aguas ("Water General Board") and Sociedad Hidroeléctrica Melocotón Limitada (subsidiary of Colbún SA).

On December 31, 2008, Maderas Cóndor S.A. filed a lawsuit for public law annulment with the Ninth Civil Court of Santiago against the Dirección General de Aguas and Sociedad Hidroeléctrica Melocotón Limitada, a subsidiary of Colbún S.A., in order to declare public law annulment for Resolution DGA N°112, of 2006, which granted water use rights to Sociedad Hidroeléctrica Melocotón Limitada in the Biobío River and for Resolution DGA N° 475, of 2006, which rectified the above.

The petition is based, in general terms, on the fact that at the date the water use rights were requested (1980), the requirements established in the Código de Aguas (the "Water Code") were not complied with.

On June 15, 2011 the Court delivered an appealable judgment accepting the claim filed by Maderas Cóndor S.A. against the Water Board and Sociedad Hidroeléctrica Melocotón (a subsidiary of Colbún). On a timely basis, the subsidiary of Colbún S.A. filed an appeal and an appeal for annulment at the Court of Appeals of Santiago, and the Water Board filed an appeal. The appeals should be reviewed and solved by the Court of Appeals of Santiago. This should take place between 8 and 14 months approximately from the date the appeals were filed.

2) Claims from article 137 of Water Code filed by Ms. Mirta Astudillo and Maderas Condor S.A. against Dirección General de Aguas (DGA) and Colbún S.A.

As of April 13, 2010, the DGA passed Exempt Resolution N° 1054, under which the project of hydraulic works for Central Hidroeléctrica Angostura was approved and its construction authorized. Said Resolution also rejected the objections filed by Ms. Mirta Astudillo and by Maderas Cóndor S.A. against this project. In May 2010, both persons filed a Claim before Santiago Court of Appeals against the aforementioned Resolution. In November 2011, these Claims were heard by Santiago Court of Appeals and the case remained "on stay" for the issue of judgment, which should occur during March 2012 at the latest, notwithstanding further petitions that may be later applicable.

b. Penalties applied by the Superintendence of Electricity and Fuels

1) Exempt Resolution Nº1111-2005: Penalty for 1.120 U.T.A. (ThUS$ 1,092)

July 4, 2005, the SEC fined Colbún S.A. an amount of 1,120 UTA (ThUS$ 1,092) as part of an investigation into the causes of the operational failure that occurred in the Central Interconnected System "Sistema Interconectado Central" on November 7, 2003.

On November 23, 2005 an appeal was filed at the Court of Appeals of Santiago against the SEC resolution that rejected the appeal filed at the SEC.

At December 31, 2011, the claim is outstanding in the Santiago Court of Appeals.

2) Exempt Resolution N°2598-2011: Penalty for 1,214 U.T.A. (ThUS$1,200)

At September 29, 2011, the SEC applied a penalty for 1,214 U.T.A. (ThUS$1,200) to Colbún S.A., within charges formulation from the electric supply loss in the Central Interconnected System on March 14, 2010, affecting consumption from Taltal to Chiloe Island.

At October 14, 2011, a motion for reversal was filed before the Superintendence of Electricity and Fuels, which has no resolution yet but is expected for 2012.

At December 31, 2011, the motion for reversal resolution is outstanding.

c. Accident at thermo electrical plant of combined cycle Nehuenco I

On December 29, 2007, the 368 MW Nehuenco I combined cycle thermoelectric energy plant, owned by Colbún, suffered a fire inside the main turbine building due to a diesel fuel leak in the unit's fuel system. The power station was disconnected from the Central Interconnected System and the fire was extinguished using its own firefighting equipment provided for this kind of emergency. The power station has been repaired and was available for operation for the CDEC-SIC on August 30, 2008.

At the date of the accident, the Company had an "All Risk" insurance policy, which includes coverage of fire, machinery breakdowns and losses from business interruptions. The corresponding liquidation procedure with the insurance companies, Chilena Consolidada Seguros Generales S.A., Penta Security Seguros Generales S.A. and Mapfre Seguros Generales as co-insurers, has concluded.

The final liquidation report, subsequently appealed for by the parties, was published on May 5, 2009, establishing a net loss for Material Damage of US$14,5 million deductible and for Losses from Business Interruption a loss of US$76,2 million, discounting the deductible of the first 30 days. This report acknowledges that the parties differ regarding the limit of the applicable indemnity regarding the Losses from Business Interruption, matter on which the Liquidator did not establish a sentence as he claimed this topic was out of his expertise. In the opinion of Colbún, the policy contemplates a single indemnity level of US$250 million per event and combined with Physical Damage and Losses from Business Interruption.

Colbún S.A. had received the payment of the amount of US$33,7 million, corresponding to the amounts which are not in dispute included in the mentioned final liquidation. Regardless of the above, as differences exist between Colbún and its insurers, the parties are using arbitration as established in the policy, and Colbún has presented a claim for compliance of insurance contract and damage indemnity in the total amount of US$101,5 million plus damages and interests. The insurers have filed the answer to the lawsuit, against which Colbún filed a retort. On the other hand, the insurers have filed the statutory duplicate; therefore, the discussion period has ended and then the period of evidence will start.

The evidence was submitted on June 30, 2010. Both parties filed appeals for reconsideration of that resolution. The reconsiderations were solved on July 14, 2010 and the period of evidence started on July 20, 2010.

At December 31, 2011, there is still a test outstanding, whose completion is estimated before January 31, 2012.

d. Santa Maria I Power Station Arbitration

In relation with turnkey and lump sum construction contract for the construction of the coal power station Santa Maria I, entered into on June 2007 between Colbún S.A. and a foreign consortium, on December 26, 2011 Colbún perceived a total of US$ 94.1 million applicable to: (i) a payment made directly by the Consortium in replacement of two performance bonds; and (ii) the direct collection of two other performance bonds. At November 16, 2011, Colbún collected two other certificates of deposit for a total of US$8.6 million. The collection of these amounts had no effect on income, as they were applied for the reduction of costs and expenses in which Colbún incurred due to aforementioned non-compliances that are capitalized in the project.

The aforementioned payments were required by Colbún due to non-compliances by the consortium to multiple obligations under the contract, generating restoring and compensating penalties and obligations in favor of Colbún.

For the same reason, Colbún asked the International Commerce Chamber, headquartered in Paris, the arbitration foreseen in the contract, In addition, Colbún was notified that the consortium also asked for arbitration. Once arbitration starts, it is estimated that the filing of claims and counterclaims in a term of 4 to 6 months.

36. Commitments

Commitments with financial entities and others

The credit contracts signed by Colbún S.A. with financial entities and the contracts of bond issuance and shares, make the Company subject to several additional obligations in addition to the payment obligations, including different financial indicators during the validity of such contracts, which are typical for this financing.

The Company has to report quarterly on the compliance with such obligations. As of December 31, 2011 the Company is in compliance with all financial indicators established in such contracts.

37. Events after the Balance Sheet date

There have been no significant subsequent events between December 31, 2011 and the issuance date of the financial statements.

38. Environment

The groups of companies in which disbursements have been made associated with the environment are the following: Colbún S.A., Río Tranquilo S.A., H. Guardia Vieja S.A., H. Aconcagua S.A., Obras y Desarrollo S.A. and Termoeléctrica Antilhue S.A..

The disbursements associated to environment made by the Company are the following:

Concept	31.12.2011 ThUS$	31.12.2010 ThUS$
Monitoring quality of air and meteorology	908	446
Enviromental Follow- up	831	396
Environmental Impact Studies and other	573	538
Environmental Administration System	106	138
Total	**2.418**	**1.518**

The disbursements made for environment are mainly associated to facilities; therefore these will be recorded according to their useful lives, except the Environmental Impact of Study which corresponds to environmental permits, which are prior to the construction stage.

The followings indicated, are the main projects in progress and a brief description:

Termoeléctrica Santa Maria de Coronel: A coal-fueled thermo-electrical power station, it will feature a modern system for control and dejection of sulphur dioxide and particle-like material. It is located in the district of Coronel, in Chile's Biobío Region.

Hidroeléctrica San Pedro: A dam-type hydroelectric power station, it is located in the Los Ríos Region and regulates minimally the river stream, maintaining intact the hydrological conditions of the river downstream of the power station.

Angostura Hydroelectric plant: Hydroelectric dam plant, projected downstream from the confluence of the Biobío and Huequecura rivers in the Biobío region.

Substation Mulchen: Electric substation, located in Biobío Region, in the municipality of Mulchen, that will divide the double circuit line Charrua-Cautin and will allow the connection to the Central Interconnected System (SIC) of Angostura Hydroelectric Power Station, by means of Angostura-Mulchen line.

39. Foreign currency

The detail of assets and liabilities in foreign currency is as follows:

Assets	Foreign currency	Type of currency	31.12.2011 ThUS$	31.12.2010 ThUS$
Total current assets				
Cash and cash equivalents	Chilean Pesos	US Dollar	81.061	144.063
Cash and cash equivalents	EURO	US Dollar	52.874	38.274
Other non-financial assets, current	Chilean Pesos	US Dollar	62	4.948
Trade receivables and other receivables, current	Chilean Pesos	US Dollar	192.568	287.122
Trade receivables and other receivables, current	EURO	US Dollar	-	1.468
Due from related companies, current	Chilean Pesos	US Dollar	4.944	4.868
Inventories	Chilean Pesos	US Dollar	14.109	13.661
Current tax assets	Chilean Pesos	US Dollar	182.672	178.395
Total current assets			**528.290**	**672.799**
Non-current assets				
Other financial assets, non-current	Chilean Pesos	US Dollar	290	365
Other non-financial assets, non-current	Chilean Pesos	US Dollar	9.894	8.054
Due from related companies, non-current	UF	US Dollar	-	3.477
Investments accounted for under equity method of accounting	Chilean Pesos	US Dollar	121.097	130.481
Total non-current assets			**131.281**	**142.377**
Total assets			**659.571**	**815.176**

Liabilities	Foreign currency	Type of currency	31.12.2011 ThUS$	31.12.2010 ThUS$
Total current liabilities				
Other current financial liabilities	UF	US Dollar	8.042	7.486
Trade payables and other payables	Chilean Pesos	US Dollar	111.585	147.580
Due to related companies, current	Chilean Pesos	US Dollar	32.121	13.485
Other short-term provisions	Chilean Pesos	US Dollar	2.838	4.606
Current tax liabilities	Chilean Pesos	US Dollar	10.350	19.745
Current provisions for employee benefits	Chilean Pesos	US Dollar	9.938	8.164
Other non-financial liabilities, current	Chilean Pesos	US Dollar	4.083	4.105
Total current liabilities			**216.031**	**205.171**
Non-current liabilities				
Other non-current financial liabilities	UF	US Dollar	336.183	445.393
Non-current provisions for employee benefits	Chilean Pesos	US Dollar	14.815	14.128
Other non-current non-financial liabilities	Chilean Pesos	US Dollar	8.429	8.575
Total non-current liabilities			**359.427**	**468.096**
Total liabilities			**575.458**	**673.267**

Other maturity profile of financial liabilities in foreign currency

December 31, 2011	Foreign Currency	Functional Currency	Up to 91 days ThUS$	From 91 days to 1 year ThUS$	From 1 year to 3 years ThUS$	More than 3 years up to 5 years ThUS$	More than 5 years ThUS$	Total ThUS$
Other financial liabilities	UF	US Dollar	-	8,042	26,753	36,449	272,981	344,224
		Total	**-**	**8,042**	**26,753**	**36,449**	**272,981**	**344,224**

December 31, 2010	Foreign Currency	Functional Currency	Up to 91 days ThUS$	From 91 days to 1 year ThUS$	From 1 year to 3 years ThUS$	More than 3 years up to 5 years ThUS$	More than 5 years ThUS$	Total ThUS$
Other financial liabilities	UF	US Dollar	-	7,486	42,962	69,891	332,540	452,879
		Total	**-**	**7,486**	**42,962**	**69,891**	**332,540**	**452,879**

40. Staffing

The staffing of the Company as of December 31, 2011 and 2010 was as follows:

	31.12.2011 N° Workers	31.12.2010 N° Workers
Managers and Key Executives	**57**	**50**
Professional and Technical	**571**	**559**
Workers and other	**294**	**280**
Total	**922**	**889**
Annual average	**915**	**850**

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